



**Mizuho International plc**

## **Order Execution Policy for Professional Clients**

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## 1. Background

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Mizuho International (“we”, “us” or “MHI”) aims to act in the best interests of its clients at all times when acting on their behalf.

This Disclosure Statement provides clients with information regarding MHI’s Order Execution Policy (“the Policy”), which set outs the arrangements implemented by MHI which are designed to provide clients with “best execution”.

MiFID II and the United Kingdom Financial Conduct Authority’s (“FCA”) rules require that a firm must take all sufficient steps to obtain, when executing orders, the best possible result for its clients. In particular, the best execution obligation applies where a firm owes agency or contractual obligations to a client.

The rules do not require that firms must obtain best execution in respect of every order executed on behalf of clients, but that they have a policy which enables the best possible result to be obtained on a consistent basis. As such, we will take the appropriate measures to satisfy ourselves that we have processes in place that we believe can be expected to lead to the delivery of best execution of orders, but we cannot guarantee that we will be able to provide best execution for every order executed on behalf of clients.

Where not immediately defined in the text hereof, defined terms have the meanings set out in the Appendix.

## 2. Scope

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This Policy describes the arrangements implemented by MHI when executing orders on behalf of clients which have been categorised by us as Professional Clients under the FCA Client Categorisation Rules.

The obligation to provide best execution does not apply to business undertaken on behalf of clients which have been categorised as Eligible Counterparties under the FCA Client Categorisation Rules. MHI does not provide investment services directly to Retail Clients.

The best execution obligation applies where MHI executes ‘orders’ in Financial Instruments.

This includes the following circumstances:

- Where we execute an order on your behalf, including where we decide to ‘internalise’ an order by executing against a proprietary trading book.
- Where we transmit orders to third parties for execution on your behalf, including where we are dealing as a riskless principal.
- Where we agree to ‘work’ an order on your behalf, such that we make decisions as to how the order should be executed.
- Where we otherwise agree to provide best execution.
- In quote driven markets where we determine in accordance with the ‘four fold’ test that you are likely to be relying on MHI to provide best execution [see below].

The best execution obligation does not apply where we are not executing an order on your behalf, or where we transact with you but not on the basis of an ‘order’.

In particular, in the OTC quote-driven, dealer markets, trading activity is generally undertaken on the basis of a request by a client to buy or sell a Financial Instrument from or to MHI or acceptance by a client of an offer or quote from MHI to buy or sell a Financial Instrument from or to it, including 'hitting' or 'lifting' quotes displayed by MHI on electronic trading platforms. In such cases, MHI trades on an arm's length basis in a principal capacity.

Guidance published by the European Commission and endorsed by the FCA suggests that the application of the best execution rule to client trading activity booked to proprietary trading books depends on whether the client legitimately relies on the firm to protect its interests in relation to the pricing or other elements of the transaction. As recommended by the FCA, in order to determine this, MHI applies a four-fold cumulative test to its trading activity by considering:

- Which party initiates the transaction;
- Market practice, including the convention of clients to 'shop around' for the best deal;
- Relative levels of transparency within a market; and
- The information provided by the firm about its services and any agreement reached with the client.

The European Commission noted that the application of these factors is likely to lead to a presumption that in the wholesale markets clients do not rely on firms to protect their interests in relation to pricing or other factors concerning a transaction.

Based on this test, in general, MHI does not owe an obligation of best execution:

- Where we are acting as a dealer and offering to buy from or sell to you a Financial Instrument at a price and on terms accepted by you or we accept a price or terms specified by you, or otherwise negotiate the price or terms of a transaction with you;
- Where you transact with us on the basis of a quote published by us or on a request for quote basis; or
- Where we tailor or structure a Financial Instrument to meet your specific requirements.

Notwithstanding how the four-fold test applies in general to quote-driven wholesale markets, MHI will provide best execution in those markets if specific circumstances require it. MHI will determine whether transactions are subject to best execution by applying the four-fold test. For instance MHI will typically apply best execution where a client is not in a position to shop around for a price due to the size of a transaction or where there is likely to be little or no price transparency available to the client.

In any event, MHI will take measures to check the fairness of the price offered to clients when dealing on an OTC basis, regardless of how the 'four-fold test' applies to a particular transaction. This is described in more detail in Appendix 2.

Any other Mizuho Group entity which accepts an order on behalf of a MHI client is responsible for ensuring best execution is provided to the client, in accordance with the regulatory requirements to which it is subject. In addition, as described later in this Policy, MHI monitors the quality of execution provided by the brokers and/or affiliates which it uses.

### 3. Summary of the Policy

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The order execution arrangements implemented by MHI in its Policy are designed to obtain the best possible execution result and are summarised below.

Further information on MHI's arrangements to provide best execution in relation to the Equities and Fixed Income businesses are set out in Appendices 1 and 2.

#### 3.1 Execution factors

When executing an order, we will take into account the nature of the order, any specific instructions and a range of factors such as the Financial Instruments that are the subject of the order, the Execution Venues to which that order can be directed, the price of the Financial Instruments that are the subject of the order, the costs, the speed and likelihood of execution and settlement, the liquidity of the market and the size and nature of the order, or any other consideration which may be relevant in the circumstances.

Price will normally be an important factor in obtaining the best possible result. However, for some orders we may, in our discretion, decide that other factors may be more important. The size of an order, for instance, will be an important consideration in determining how orders are executed. As a general rule, MHI will give most consideration to the price, market impact and liquidity when handling client orders. More details on the relative importance assigned to the execution factors per class of financial instrument can be found in Appendix 4.

We take into account the following criteria for determining the relative importance of the factors described above:

- (a) The characteristics of the client, including the categorisation of the client;
- (b) The characteristics of the client order, including where the order involves a securities financing transaction (SFT);
- (c) The characteristics of financial instruments that are the subject of that order;
- (d) The characteristics of the execution venues to which that order can be directed.

#### 3.2 Execution venues

In meeting the obligation to take sufficient steps to obtain the best possible result when executing orders on your behalf, we may use one or more of the following venues: Regulated Markets (RMs), Multi-lateral Trading Facilities (MTFs), Organised Trading Facilities (OTFs) (together known as "Trading Venues"), trading venues in third countries, Systematic Internalisers, our own trading books or other brokers/ investment firms, including other Mizuho Group entities.

We may execute orders, or transmit or pass orders to a Mizuho affiliate or a third party broker/ dealer for execution, on behalf of a client outside of a Trading Venue where we believe we can achieve best execution by doing so. MHI will take into account its own commissions and costs when doing so. Clients are requested to provide us with consent to do this. Such transactions may be subject to less regulation than those which take place on a Trading Venue, and may be less transparent.

In some Financial Instruments there may only be one possible execution venue. In executing an order on your behalf in such circumstances we will be deemed to have provided best execution by executing your order on that execution venue.

The main Execution Venues currently used by MHI for each Financial Instrument are set out in Appendix 3.

### 3.3 *Specific instructions*

Where a specific instruction as to the execution of an order is received from a client, we will take all sufficient steps to execute that order in accordance with that instruction.

A specific instruction may include the venue on which you want an order executed, the price at which an order should be executed, or the time or period of time over which you want the order executed irrespective of the price.

If we are not able to follow your instructions, we may not be able to accept your order.

By executing an order in accordance with specific instructions, we will satisfy our best execution obligations. Specific instructions may prevent MHI from taking steps to obtain the best possible result, in accordance with its Policy, in respect of the elements covered by those instructions.

Where the specific instructions relate to only part of the order, MHI will apply its Policy to those aspects of the order not covered by the specific instructions.

When accepting an order, MHI may seek to clarify your order and your instructions as to how it should be executed. However, we will not induce you to provide specific instructions in order for MHI to avoid our duty to provide best execution.

### 3.4 *Limit orders*

MiFID II requires firms to make public any limit orders for shares admitted to trading on a Regulated Market or traded on a Trading Venue which are not immediately executed under prevailing market conditions unless a client expressly instructs otherwise. You are requested to provide such consent to MHI (see section 6.3 below).

### 3.5 *Transmitting orders to third parties*

MHI may transmit or pass an order received from a client to a Mizuho affiliate or a third party broker/ dealer in order to execute orders on Execution Venues to which MHI does not have access.

When we do this, we will be under an obligation to take sufficient steps to obtain the best possible result for you by ensuring that the Mizuho affiliate or the third party broker/ dealer have arrangements in place to provide best execution. MHI monitors on an ongoing basis the quality of execution received from the Mizuho affiliates and third party brokers/ dealers it uses.

MHI has implemented standard procedures and systems where orders are transmitted to Mizuho affiliates for execution.

With respect to the use of third party brokers/ dealers, MHI will periodically review the choice of broker/ dealers used to ensure that best execution is being provided on a consistent basis.

### 3.6 *Discrimination against venues*

MHI will take steps not to structure or charge commissions in such a way as to discriminate unfairly between execution venues.

MHI does not receive payment for order flow, which means that MHI does not receive remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue.

MHI will not seek to encourage a client to choose a venue solely on the basis of any pricing policy applied by MHI.

### 3.7 *Order priority*

MHI's policy is to provide for the prompt, fair and expeditious execution of client orders and in doing so will take into consideration any potential conflicts which may arise from competing orders from either MHI itself or other clients.

MHI does not consider an order to be received until it has been understood and acknowledged by the appropriate representative of MHI. For this reason, MHI requests that orders be communicated to MHI by established methods which will generally be voice, Bloomberg Chat, FIX or RFQ system, depending on the practice in the relevant market or as agreed with the sales representative. Failure to do so may lead to delays in the desired execution with the risk that market movements during that time may lead to orders being executed at a worse rate.

### 3.8 *Market making and pre-hedging activity by MHI*

As a market maker and systematic internaliser in various classes of products, MHI seeks to transact or hold positions in the same Financial Instruments which may be the subject of a customer order so that MHI can meet any reasonably expected near term demand in those Financial Instruments and manage its risks arising and regulatory obligations (e.g. compliance with the Volcker Rule) from those positions and customer orders. It is possible that such activity may contribute to movement in prevailing prices in those Financial Instruments and therefore may impact the price of a subsequent customer order or request to trade.

As part of its ordinary course activities MHI may be required to hedge its exposure arising from anticipated customer orders. The hedging transactions entered into by MHI may contribute to movement in prevailing prices prior to executing a customer's trade request. Such transactions are not entered into with intent to cause a movement in price.

### 3.9 *Spread and Mark-up*

In dealing in fixed income instruments and convertible bonds with its customers MHI will provide an 'all-in' price based on a spread (or otherwise known as "mark-up"). The spread applied is intended to compensate MHI for a number of service, risk and cost considerations which MHI incurs, or is likely to incur, as a result of agreeing to transact with its clients. The spread may occasionally include a sales margin.

The spread is added to the price at which MHI may be able to source the Financial Instruments in the market, or the price at which the firm can otherwise deal with its market

counterparts. The decision to add a spread, including the degree of the spread, is determined by a number of factors including, but not limited to, the size of the transaction, liquidity, market conditions, funding costs, clearing and settlement fees, broker and platform fees, market risk, credit and counterparty risks, operational risk, the level of service provided to the client, a client's past trading activity with MHI, as well as the expectation that a client will buy or sell including the timeframe in which this might occur.

The addition of the spread is at MHI's discretion and may mean that MHI will offer a different price to different customers for the same Financial Instrument. The size of the spread will therefore vary according to the unique circumstances of a particular transaction. In any event, MHI will ensure that the level of the spread is appropriate and fair.

MHI has processes in place to monitor the level of spread applied, as described in more detail below.

### *3.10 Pricing in illiquid markets*

When dealing in illiquid markets where products trade infrequently or there may be little or no price transparency available to either MHI or our clients, MHI will seek to derive what it considers to be a fair market price from Financial Instruments with comparable characteristics, for instance in terms of maturity, creditworthiness, and type of issuer. MHI will also consider the last traded price where available. MHI will apply what it considers to be a reasonable and fair spread to such price to compensate the firm for incurred costs. In such markets, although price remains a key factor, the likelihood of execution may at times be the most prominent execution factor.

## **4. Monitoring and Review**

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MHI will monitor and review the effectiveness of the order execution arrangements implemented by it pursuant to the Policy, including the Execution Venues, to seek to ensure that best execution is provided on a consistent basis where applicable.

MHI will review its Policy and order execution arrangements at least annually, or whenever there is a material change that affects its ability to continue to obtain the best possible result for its clients.

MHI intends to publish material amendments to the Policy on its website:

<https://www.mizuhogroup.com/emea/who-we-are/governance/mizuho-international-plc-legal-and-compliance/legal-disclosures>

You will not be separately notified of any material changes to the Policy or Execution Venues.

Further details on MHI's monitoring of its execution arrangements and its analysis of execution quality for specific markets are described in the Appendix 1 for Equities and Appendix 2 for Fixed Income markets.

## 5. Demonstration of best execution

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MHI is required to demonstrate upon request, that it has executed orders in accordance with its Policy. If you require further information as to how MHI has executed any of your orders, you should contact your MHI relationship manager.

Following UK rule changes in 2021, MHI is no longer required to publish details of execution quality or venues ('RTS 27' and 'RTS 28' reports) on its website.

If after discussions with your relationship manager, you are not satisfied with the information provided to you or the quality of execution, you should contact MHI's Compliance Department at [mhi.compliance@uk.mizuho-sc.com](mailto:mhi.compliance@uk.mizuho-sc.com).

## 6. Client consent

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### 6.1 *Consent to MHI's Policy*

MHI is required to obtain your prior consent to the way in which the Policy applies to you. You will be deemed to have provided such consent when you give an order to us.

If you have any queries or concerns regarding this Policy, you should contact your MHI relationship manager or MHI's Compliance Department.

### 6.2 *Consent to execution of orders outside of an EEA Regulated Market, MTF or OTF ('Trading Venue')*

For Financial Instruments admitted to trading on a Trading Venue, MHI is required to obtain your express consent before it executes orders in such Financial Instruments outside of a Trading Venue.

Information on how to provide consent is set out in the 'Providing consent' section below.

### 6.3 *Consent to not publish details of limit orders in shares that cannot be immediately executed*

In relation to a limit order in respect of shares admitted to trading on an EEA Regulated Market or traded on a Trading Venue which is not immediately executed under prevailing market conditions, unless expressly instructed by the client not to do so, MHI is required to take measures to facilitate the earliest possible execution of that order by making public details of the order.

Therefore, we are required to obtain your consent not to publish details of such orders.

Information on how to provide consent is set out in the 'Providing consent' section below.



6.4 *Providing consent*

Clients can provide consent to MHI for (1) executing orders outside of an EEA Regulated Market, MTF or OTF; and (2) not publishing details of a limit order in shares admitted to trading on an EEA Regulated Market or traded on a Trading Venue which is not immediately executed by completing and returning the consent form sent to you as part of MHI's client onboarding pack. Alternatively, please provide a form of written approval to your MHI relationship manager expressing your consent.

## Appendix 1

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### Equities Department Policy

The Equities Department provides equity research, sales, corporate access and execution services to institutional clients primarily based in the UK and Continental Europe, covering Japan and Asia ex-Japan equities.

MHI may also execute orders on behalf of clients in UK, European and US equities.

The Head of the business is responsible for overseeing MHI's arrangements for providing best execution to clients.

### Cash equities

Orders in Japan and Asia ex-Japan equities are generally transmitted to Mizuho affiliates that are based in the region for execution on behalf of clients. MHI does not have direct access to any equity exchanges or MTFs on which these Financial Instruments are actively traded.

MHI owes a duty of best execution in respect of the orders it transmits to Mizuho affiliates and monitors the quality of execution provided by those affiliates.

MHI may internalise orders where this is considered to be in the client's best interests and in accordance with its best execution obligations.

Facilitation trading, whereby MHI trades on an 'at risk' basis, may also be undertaken in Japan and Asia ex-Japan equities during London business hours on a request for quote basis. In such cases, taking the four-fold cumulative test into account, no order arises and best execution is not owed to the client.

Orders in other global equities, including European and US markets, are transmitted to third party brokers or affiliates for execution as described below rather than directly by MHI in those markets.

#### *Use of a single venue*

In carrying out transactions in equities, in most instances under our current execution arrangements, and subject to any specific instructions from you, MHI has determined that we can achieve the best possible result for you on a consistent basis by directing client orders to a specific, single broker. In the case of Japan equities, Asia ex-Japan equities, and US equities that broker will be a Mizuho Group affiliate; European equities are directed to a non-Mizuho Group entity for execution.

MHI has judged such brokers to be appropriate in each of the respective markets primarily because of the relevant broker's capabilities in accessing venues in the target markets and their experience in those markets which allow for the appropriate level of certainty and speed of execution. In addition, MHI will periodically consider a broker's historical performance in executing orders, any operational aspects such as settlement or post trading issues.

MHI monitors the performance of such brokers on an ongoing basis. This is described in more detail at the end of this section.

A summary of the Execution Venues currently used by MHI is set out in Appendix 3.

## Japanese equities

Orders in Japanese equities are transmitted by MHI to Mizuho Securities Co., Ltd (Mizuho Securities) for execution on behalf of clients. Mizuho Securities has access to a number of exchanges and trading venues on which Japanese equities are traded.

Except where the client specifies a trading venue on which the order is to be executed, Mizuho Securities uses its Smart Order Routing (SOR) technology for all orders to select the venue out of TSE, Chi-X, Japannext, or Mizuho Internal Crossing engine (MIX) offering the best price at which to execute the order or part of an order.

Depending on the nature of the order and any specific instructions provided by the client, Mizuho Securities may, in its discretion, split the order into a series of smaller orders in order to execute it efficiently and to minimise market impact.

Mizuho Securities may, at its discretion, execute orders using trading algorithms.

Price will normally be the most important factor when executing orders on behalf of clients. However, for orders in illiquid shares or orders that are large compared to normal market volume, the ability to execute a trade or minimising market impact may be a key factor.

### *Crossing Orders*

Mizuho Securities offers the ability for orders to be crossed using its internal crossing engine (MIX). MIX automatically searches for matching opportunities between orders at prices equal to or better than those quoted on the other markets to which Mizuho Securities has access.

In addition, with client consent, MHI may cross clients' orders where it has matching buy and sell orders and it considers it to be in the clients' best interests and in accordance with its best execution obligations.

### *Electronic trading/ Direct Market Access*

MHI can arrange for clients to use Mizuho Securities Direct Market Access ("DMA") service. For those trading venues on which Mizuho Securities DMA services is available, this enables clients' orders to be routed directly to the trading venue selected by the client for execution in accordance with the client's instructions. Where DMA is used, the client selects all parameters of the trade and no discretion is given to Mizuho Securities.

MHI can arrange for clients to place orders electronically with Mizuho Securities. Clients will be able to select execution parameters and certain algorithms when placing an order. Mizuho Securities will, to the extent possible, execute orders in accordance with any parameters and instructions provided by the client. The obligation of best execution will apply in relation to any factors not specified by the client, including the operation of any algorithm selected by the client.

### *Guaranteed VWAP trades*

Where MHI agrees to a client's request to guarantee execution at the following day's Volume Weight Average Price (VWAP) or other benchmark, MHI is taking the risk that it does not achieve VWAP or the other benchmark. The decision whether or not to enter into a Guaranteed VWAP trade rests with MHI.

An 'order' does not arise in this case and best execution obligation does not apply. However, in executing trades to manage its risk position, MHI and Mizuho Securities will seek to ensure that it minimises the market impact, so as not to potentially disadvantage the client.

### *Block trades*

A 'block' trade refers to an order or trade which is large in terms of the normal market trading volume in those shares or the size of the issuer.

Where a client asks MHI to buy or sell a large 'block' of shares on its behalf, MHI will normally seek to identify and approach parties who may be willing to sell or buy those shares, rather than attempting to execute the trade through a trading venue.

Minimising market impact and control of information will be important execution factors, in addition to price, in respect of such orders. MHI will agree the target price with the client and execute any resulting trade as a riskless principal.

MHI will provide best execution by managing to execute the trade in accordance with the client's instruction.

Where a client asks MHI to quote to buy from it, or sell to it, a block of shares, MHI will not be acting on behalf of the client: the client will decide whether or not to accept the price quoted by MHI and the best execution obligation will not apply. MHI will not be under any obligation to provide a quote to buy or sell a block of shares from/ to a client.

### **Asia ex Japan equities**

Orders in Asia ex-Japan equities are transmitted by MHI to Mizuho Securities Asia Ltd (Mizuho Securities Asia) for execution on behalf of clients. These shares are generally traded only on national stock exchanges, limiting the Execution Venues that are available to execute the order.

- Orders to buy or sell shares traded on the Hong Kong Stock Exchange (HKSE) will generally be executed by Mizuho Securities Asia on the HKSE, but depending on the order and market conditions, Mizuho Securities Asia may choose to execute using third party brokers.
- Orders to buy or sell shares traded on other Asia ex-Japan stock exchanges will be passed to third party brokers who have access to relevant trading venues.

Mizuho Securities Asia is responsible for selecting and monitoring the third party brokers it uses.

Price will normally be the most important factor when executing orders on behalf of clients. However, for orders in illiquid shares or orders that are large compared to normal market volume, the ability to execute a trade or minimising market impact may be a key factor.

### *Crossing Orders*

With client consent, MHI or Mizuho Securities Asia may cross clients' orders where it has matching buy and sell orders and it considers it to be in the clients' best interests and in accordance with its best execution obligations.

### **Global equities (ex Asia/Japan)**

Orders in global equities (ex Asia/Japan) are transmitted to third party brokers for execution on relevant markets and exchanges on behalf of MHI's clients. Orders will be subject to the third party broker's best execution policy.

MHI has arrangements in place to enable certain orders in US equities to be transmitted for execution by MHI's affiliate, Mizuho Securities USA Inc which applies its best execution policy to such orders.

European equities are transmitted to Cowen Execution Services Limited or Barclays Capital Securities Limited.

### **Aggregation of Cash Equities Orders**

From time to time MHI may aggregate client orders which are comparable in nature for transmission to its Mizuho affiliate or third party brokers for execution.

The Mizuho affiliate or broker to whom orders are passed for execution will not carry out a client order or a transaction for its own account in aggregation with another client order unless it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of such orders. Where an order is aggregated the effect of aggregation may work to your disadvantage in relation to a particular order.

When aggregation occurs, the broker shall take appropriate steps to allocate fairly.

In the event aggregated client orders are partially filled, MHI will fill comparable client orders on a pro-rata basis.

MHI does not aggregate house orders with client orders.

### **Analysis and Monitoring of execution quality**

MHI monitors the quality of execution provided by each Mizuho affiliate and third party broker using transaction cost analysis. This process allows MHI to check whether the price obtained by each broker is fair and that trades achieved best execution taking into account the prevailing market conditions.

MHI obtains these detailed analytics on trade date, with the exception of our European broker and US broker for which it is supplied on a T+1 basis. The data provides information on:-

- Any price improvement derived from utilising smart order routing versus the primary exchange;
- Comparison of execution prices versus various benchmarks from time of arrival;
- Impact analysis and participation metrics to establish the level of market impact caused by an order;
- For Japan equities: analysis shows execution venue split (including TSE, MIX, JNX, CHJ) and shows savings for the client by measuring difference between execution price versus best bid/offer on the primary exchange; and
- For European equities: analysis shows split across the various execution venues as well as client savings versus primary exchanges.

The analysis allows for outlier executions to be identified by measuring against benchmarks appropriate to the specific order. Such outliers are given further scrutiny as necessary by the business.

Additionally, MHI obtains and reviews monthly transaction cost analysis reports at an aggregated level giving an overall summary of the same type of analytics as described above so that anomalous trends can be more easily detected.

To oversee the best execution arrangements, Equities management and Compliance meet periodically to review the firm's overall quality of execution, which includes:-

- Review the results of the transaction cost analysis;
- Review the desk's own monitoring of performance;
- Consider reasons for any anomalies and challenge the trading desk to provide justifications for pricing; and
- Consider the action, if any, that has been taken and its appropriateness.

The oversight forum will consider whether the particular brokers used are continuing to provide the best possible results for MHI's clients or whether other brokers should be considered.

## Appendix 2

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### Fixed Income Department Policy

Fixed Income Sales & Trading Department provides a research, sales and trading service (including market-making and the provision of targeted liquidity), to clients in the EMEA region in rates products (European, US and Japanese government bonds, SSA, repo and securities lending; and interest rate swaps), credit products (Corporates, Financials, High Yield and Emerging Markets) and convertible bonds.

The Head of the business is responsible for overseeing MHI's arrangements for providing best execution to clients.

#### *Fixed Income Securities*

Fixed income securities traded by MHI trade on a number of trading venues. These include MTFs, OTFs and brokers/ dealers including Systematic Internalisers. Such Financial Instruments are typically traded based on quotes published electronically by brokers/ dealers (including on MTFs and OTFs) or on a request for quote basis, with clients deciding whether or not to accept the price quoted. In all cases, MHI trades as principal.

For the most part we expect clients will initiate requests to quote and will 'shop around' for competing quotes, as is the market practice in such products. Often in these markets, clients have access to prices for the instruments in question. In such cases, and taking account of the four-fold cumulative test, MHI will not be acting on behalf of clients and no order arises. Best execution is therefore typically not owed to the client in such circumstances. However, where little or no price transparency exists, such as in less liquid markets or emerging markets, we expect that the client is more likely to be placing reliance on MHI and therefore a duty of best execution will apply.

#### *Specific instructions and 'worked' orders*

If a client decides not to accept a price quoted by MHI or MHI is unable to quote in a particular security, a client may request MHI to 'work' an order for it. In such cases, the client will specify the price or yield and size at which it wishes to buy or sell a security. This will be treated as a specific instruction. MHI does not accept orders without a specific target price or yield.

MHI will seek to execute this 'order' by:

- Monitoring the markets including the MTFs and OTFs to which it has access, to identify when the price of a security has reached the price at which the client wishes to trade, and executing the trade at that time; and
- Identifying counterparties who are willing to trade with MHI at the price and size specified by the client or better. If MHI is able to source the securities at a price which meets the client's specific instruction it will execute a trade as principal with the client.

Best execution will be achieved by executing the trade (where this is possible due to prevailing market conditions) in accordance with the client's instruction.

MHI will normally expect to earn an acceptable market spread when executing an order on behalf of a client. Traders will use their discretion in assessing the bid-offer spread taken by MHI on such trades and whether there is scope to improve the price for the client.

### *Execution venues*

MHI has access to a number of MTFs and OTFs through which clients can submit requests for quote and trade with MHI. Clients can also trade bilaterally with MHI.

In circumstances where MHI is able to provide the price electronically directly to clients, MHI will use a number of Execution Venues, on the basis of the demand from clients and cost of execution. MHI pays dealer fees for participating on such platforms. MHI has a right to price accordingly in order to reflect any incurred costs. Consequently, MHI may apply to the same Financial Instrument a wider spread on one platform than it may have applied on another. In any event MHI will price in a fair and reasonable manner.

### ***Convertible bonds and OTC equities derivatives (including ASCOTS)***

Only a small proportion of convertible bonds are executed on exchanges; ASCOTS are not traded on any exchanges. Trading in these Financial Instruments is generally undertaken on a request for quote basis, with MHI trading as principal. In such cases, and taking account of the four-fold cumulative test, MHI will not be acting on behalf of clients and no order arises. Best execution is not owed to the client in such circumstances.

The best execution obligation may arise where a client asks MHI to 'work' an order or execute an order to buy or sell a convertible bond 'on exchange' on its behalf.

Where MHI agrees to work an order this will be based on a price specified by the client. MHI will seek to execute an order by monitoring market conditions and the prices at which it can buy or sell the instruments from other counterparties. If market conditions move such that MHI can execute the trade at the price specified by the client, it will do so. Traders will use their discretion in assessing the bid-offer spread taken by MHI on such trades and whether there is scope to improve the price for the client.

Where a client gives MHI an order to buy or sell a convertible bond 'on exchange', MHI will transmit the order to a Mizuho affiliate or third party broker which has membership of, or access to, the exchange on which the bond trades. MHI will monitor the quality of execution provided by the Mizuho affiliate.

### ***Interest rate swaps & cross currency swaps***

MHI may trade with clients in a range of interest rate swaps and cross currency swaps. These are bilateral derivatives contracts which will be entered into under standard derivatives industry documentation. Such instruments are typically traded through MTFs or OTFs based on quotes published electronically by brokers/ dealers or OTC on a request for quote basis, with clients deciding whether or not to accept the price quoted. In all cases, MHI trades as principal.

MHI will only enter into derivative contracts with clients that it has assessed as having sufficient experience and knowledge to be able to understand and evaluate the risks of these contracts and that are not relying on MHI to protect their interests.

In such cases, and taking account of the four-fold cumulative test, MHI will not be acting on behalf of clients and no order arises. Best execution is not owed to the client in such circumstances.

If a client decides not to accept a price quoted by MHI or MHI is unable to quote, a client may request to leave an order with MHI. In such cases, the client will specify the currency,



maturity, price or yield and size at which it wishes to trade. This will be treated as a specific instruction. MHI does not accept orders in interest rate swaps without a specific instruction.

MHI may from time to time access liquidity by way of third party venues. These venues are MTFs, OTFs and non-EU based multi-lateral trading platforms. In any event, best execution will only apply to the extent that it has been determined that the client has placed legitimate reliance on MHI under the four-fold cumulative test as described above. For instance, it will apply where MHI is working an order for the client in the manner described earlier. In most cases, MHI will enter into a trade with the client if the market price reaches the level at which the client wishes to trade, whilst taking an acceptable market spread.

### ***Repurchase and reverse repurchase transactions***

MHI interacts directly with clients on the TradeWeb and Bloomberg platforms in executing repo and reverse repo trades.

Repo and reverse repo quotes are provided by MHI upon request, and typically in competition with other dealers. When a client approaches MHI to enter into a repo or reverse repo transaction, MHI will consider the prevailing market conditions, the creditworthiness of the client and other relevant factors in determining the rate at which it is willing to enter into a trade. This rate is agreed with the client on a trade by trade basis. The client decides whether or not it wishes to trade at the rate quoted by MHI. In all cases, MHI will be acting as principal.

In scenarios where a client places no reliance on MHI, MHI does not have an obligation to provide best execution.

In circumstances where a client is placing a reliance on MHI, MHI is subject to the four-fold cumulative test and would therefore have an obligation to provide best execution.

### ***Securities lending***

MHI acts as agent on behalf of a number of Mizuho Group clients by arranging loans of clients' fixed income securities to third party borrowers, in accordance with parameters specified by the client (which include the borrowers to whom securities may be loaned, the collateral and margin that is acceptable, and lending limits).

There are not at present any EEA Regulated Markets, MTFs or OTFs, on which trades can be executed and little market transparency to enable meaningful comparison of lending rates. Securities lending transactions are entered into on a bilateral basis between the client and a borrower.

In arranging loans of securities, MHI is acting on behalf of clients and has discretion to arrange loans of client securities and determine the price at which they are loaned. Therefore, it owes a duty of best execution.

MHI provides best execution by seeking to maximise the fees earned by clients by, where possible, seeking quotes from several counterparties to borrow securities and taking into account relevant factors, such as clients' lending terms and prevailing market conditions. The fee structure implemented for the securities lending agency business aims to align MHI's interests with those of its clients. MHI does not charge any fixed commissions or other fees for

its agency lending service, other than taking a pre-agreed proportion of the lending fee earned by the client for the loan of the securities.

### ***Principal securities lending***

MHI is able to borrow securities as principal from a small number of Mizuho Group clients within the parameters set by each client. Securities lending transactions are entered into on a bilateral basis between the client and MHI.

Securities Lending staff are responsible for ensuring that the client earns an appropriate fee for lending securities to MHI, and that limits, collateral and margin requirements specified by the client are complied with. MHI Securities Lending department is independent from the trading desks that may borrow principal lending clients' securities.

There are currently no EEA Regulated Markets, MTFs or OTFs for securities lending with which to compare the lending fee. The lending fee for loans is determined by factors such as external demand for securities and the collateral requirements and prevailing market conditions.

### ***Agency Repo***

MHI acts as agent on behalf of clients entering into repo transactions. Transactions will be entered into on a bilateral basis between the client and the repo counterparty.

MHI executes repo orders on behalf of clients for a pre-agreed contractual fixed fee with predefined and pre-approved market counterparties. All repo orders must clearly state the bond to be "repo-ed", the trade tenure & the target interest rate (plus any other relevant information, such as acceptable haircut). Upon receipt of an order MHI contacts, via recorded Bloomberg messaging, the counterparties pre-defined, pre-approved or specifically identified by the client to request their repo bids, executing at the target level or better (if achieved). Where the target level cannot be achieved MHI will reflect the best repo bid received to the client to allow for a revised order to be submitted.

### ***Analysis and Monitoring of execution quality***

MHI undertakes ongoing monitoring of the transactions it enters into with clients in accordance with its obligations to take all sufficient steps to obtain the best possible result for its clients.

MHI conducts daily monitoring of the fairness of the prices at which it has executed trades in fixed income securities, by comparing these to prevailing market prices at the time the trade was executed. Trades which exceed pre-determined tolerance parameters for the various markets in which MHI deals (i.e. resulting in a potential negative outcome for clients) are identified and subject to review by the business.

To oversee the best execution arrangements, Fixed Income management and Compliance meet periodically to review the results of this monitoring, the quality of the explanations provided and any best execution issues arising.

## Appendix 3

## Execution Venues

MHI uses the following main execution venues for executing orders on behalf of clients:

	Region	Executing party	Venues used by MHI or by Executing parties who execute orders on behalf of MHI
<b>Equities &amp; Convertible Bonds</b>			
Equity	Japan	Mizuho Securities	Mizuho Securities Internal Crossing System (MIX) Tokyo Stock Exchange Osaka Stock Exchange Nagoya Stock Exchange JASDAQ Chi-X Japan SBI Japannext
Equity	Asia-ex Japan <ul style="list-style-type: none"> <li>• Hong Kong</li> <li>• Singapore</li> <li>• South Korea</li> <li>• Australia</li> <li>• New Zealand</li> <li>• Indonesia</li> <li>• Taiwan</li> <li>• Malaysia</li> <li>• Thailand</li> <li>• Philippines</li> </ul>	Mizuho Securities Asia Third party brokers in all countries other than HK	Hong Kong Stock Exchange Relevant local venues
Equity	UK, Europe South Africa Israel	Cowen Execution Services Limited, Barclays Capital Securities Limited.	Relevant local venues
Equity	US Canada	Mizuho Securities USA Third party brokers	Relevant local venues
OTC equity derivatives	Japan Asia ex-Japan	Mizuho Securities Third party brokers	Tokyo Stock Exchange (domestic Japan convertible bonds only)
EU Convertible Bonds	Europe South Africa Middle East	Third Party Brokers	Mizuho International Tradeweb Bloomberg
Convertible Bonds	Japan Asia ex-Japan	Mizuho Securities Third Party Brokers	Tokyo Stock Exchange (domestic Japan CB's only)

	Region	Execution venue
<b>Fixed Income Department</b>		
Fixed income securities	All	Mizuho International TradeWeb Bloomberg MarketAxess BondVision
Interest rate swaps	All	Mizuho International TradeWeb Bloomberg
Repo	All	Tradeweb BrokerTec Quote GLMX MTS
Agent Lending	All	<i>No venues – 100% OTC flow</i>

#### Appendix 4

Financial Instrument	Relative importance of execution factors (Determined by MHI at the time of the order, using our discretion, and considering all available information at the time of the order)
Equities	<ol style="list-style-type: none"> <li>1. Price;</li> <li>2. Size of order;</li> <li>3. Costs;</li> <li>4. Speed;</li> <li>5. Likelihood of execution and settlement;</li> <li>6. Nature of order; and</li> <li>7. Any other consideration relevant to the execution of the order.</li> </ol>
Fixed Income Bonds	<ol style="list-style-type: none"> <li>1. Price;</li> <li>2. Costs;</li> <li>3. Speed;</li> <li>4. Size of order;</li> <li>5. Likelihood of execution and settlement;</li> <li>6. Nature of order; and</li> <li>7. Any other consideration relevant to the execution of the order.</li> </ol>
Convertible Bonds	<ol style="list-style-type: none"> <li>1. Price;</li> <li>2. Size of order;</li> <li>3. Costs;</li> <li>4. Speed;</li> <li>5. Likelihood of execution and settlement;</li> </ol>

	<ol style="list-style-type: none"> <li>6. Nature of order; and</li> <li>7. Any other consideration relevant to the execution of the order.</li> </ol>
Interest Rate Swaps	<ol style="list-style-type: none"> <li>1. Price;</li> <li>2. Costs;</li> <li>3. Speed;</li> <li>4. Size of order;</li> <li>5. Likelihood of execution and settlement;</li> <li>6. Nature of order; and</li> <li>7. Any other consideration relevant to the execution of the order.</li> </ol>
Securitised Products	<ol style="list-style-type: none"> <li>1. Price;</li> <li>2. Costs;</li> <li>3. Speed;</li> <li>4. Size of order;</li> <li>5. Likelihood of execution and settlement;</li> <li>6. Nature of order; and</li> <li>7. Any other consideration relevant to the execution of the order.</li> </ol>

## Appendix 5

### Definitions

Executing Party	The party who will be executing a given order on relevant execution venue(s)
Execution Venue	A Regulated Market, an MTF, an OTF, a Systematic Internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.
Financial Instruments	<p>An instrument listed in Section C of the Annex I to MiFID II, including:</p> <ol style="list-style-type: none"> <li>(a) transferable securities;</li> <li>(b) money-market instruments;</li> <li>(c) units in collective investment undertakings;</li> <li>(d) various options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices, financial measures or commodities;</li> <li>(e) derivative instruments for the transfer of credit risk; and</li> <li>(f) financial contracts for differences.</li> </ol>

MiFID II	The European Parliament and Council Directive on Markets in Financial Instruments (No. 2014/65/EU) and any implementing directives and regulations.
UK MiFID II	The on-shoring of EU MiFID II regulation following the withdrawal of the UK from the European Union.
Multi-lateral Trading Facility or MTF	A multi-lateral 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 in accordance with the provisions of Title II of MiFID II.
Organised Trading Facility or OTF	A multilateral system which is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of MiFID II.
Professional Clients	<p>The Professional Client categorisation includes each of the following unless and to the extent it is given a different categorisation:</p> <ul style="list-style-type: none"><li>• Entities which are required to be authorised and regulated to operate in the financial markets (in any jurisdiction), namely:<ul style="list-style-type: none"><li>- credit institutions;</li><li>- investment firms;</li><li>- other authorised or regulated financial institutions;</li><li>- insurance companies;</li><li>- collective investment schemes and their management companies;</li><li>- pension funds and their management companies;</li><li>- commodity and commodity derivative dealers;</li><li>- locals; and</li><li>- other institutional investors.</li></ul></li><li>• Large undertakings meeting two of the following size requirements on a company basis:<ul style="list-style-type: none"><li>- balance sheet total of €20m;</li><li>- net turnover of €40m;</li><li>- own funds of €2m.</li></ul></li><li>• National and regional governments, public bodies that manage public debt national or regional level, central banks and international and supranational institutions or another similar international organisations.</li><li>• Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.</li></ul>

- An Eligible Counterparty that has opted down to be treated as a Professional Client.
- A Retail Client that has opted up to be treated as an Elective Professional Client.

Regulated Market	A multi-lateral 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 non-discretionary 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 authorised and functions regularly and in accordance with the provisions of Title III of MiFID II.
Systematic Internaliser	An investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a Regulated Market, an MTF or an OTF.
Trading Venue	EU/EEA regulated market, MTF or OTF.