

Execution Quality Evaluation Statement for the Year 2020 for the top 5 Brokers

Equities (Shares and Depository Receipts) and Debt Instruments (Bonds and Money Market instruments)

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1. Introduction

The Markets in Financial Instruments Directive 2014/65/EU (the “MiFID II”) and the Commission Delegated Regulation (EU) 2017/565 (“CDR 2017/565”) as well as the Commission Delegated Regulation (EU) 2017/576 (RTS 28) introduced new requirements on the information which must be published to the market in relation to the best execution reporting requirements.

In this respect, GPB Financial Services Ltd (the “Company”) has published this Report on the quality of execution obtained (the “Report”) which is based on summary of the analysis and monitoring of execution obtained on the execution brokers where the Company executed all clients’ orders in the previous year, covering a full year cycle. The aim is to provide the clients as well as the public at large with meaningful information in order to effectively assess and scrutinize the execution quality achieved during the year.

The Company urges its clients and/or potential clients to read the statement carefully as it contains information on how the Company executes orders to execution broker.

The statement along with the accompanying tables will remain on the Company’s website for 2 years at least post its publication.

2. Best Execution

The Company, in its effort to take all sufficient steps to best execute its’ clients’ orders, takes into consideration all possible and best venues and brokers. Where deemed appropriate and/or necessary, the Company has proceeded with the execution of its clients’ orders through a third-party broker or a related party (within the group).

All brokers mentioned in this Top 5 Execution Brokers Reporting have successfully passed the Due Diligence and have been approved by the Company.

The Company requires its brokers according to its Best Execution Policy to obtain the best possible results for its clients, considering the following elements:

- Price: which will vary according to factors such as market liquidity, market rules regarding quotations, bids and offers, etc.;
- Costs: firstly transaction costs, fees, taxes and charges directly referable to the execution of the order that will be paid to any third parties, secondly venue costs;
- Size: the influence the size of the order may have on the other execution factors, including the type of financial instrument and the type instruction, such as the availability of liquidity for large orders;
- Speed of Execution: the speed with which the Company is likely to be able to execute the order on the brokers available to the Company, meaning the time between reception of the order by the broker and the time it is allocated;
- Likelihood of execution: including the relative liquidity of the brokers available for execution;
- Likelihood of settlement: the relative risk that a counterparty for an order may default on its obligation to settle a trade, taking into account broker’s rules and applicable legislation, trading conventions, identity of counterparty (where disclosed), technical and operational risk affecting delivery, etc.
- Nature of the order; and

- Any other factor relevant to the execution of the order.

The Company does not apply different best execution criteria for different categories of clients according to MiFID II (per se professional / elective professional investors).

The Company is required to appoint only brokers or counterparties which have policies and procedures in place to ensure best execution.

The relative importance of the execution factors taken into consideration by the Company for the selection of an execution broker, can be summarized in the table below:

| Factor | Price | Cost | Speed | Likelihood | Size | Nature |
|-------------------|--------------|-------------|--------------|-------------------|-------------|---------------|
| Importance | High | Medium | Medium | High | Medium | Low |

Execution Criteria

In considering the application of best execution / best interest to the client order, the Company will consider the relative importance of the execution factors by reference to the following criteria in order to provide clients the best possible result for the client order:

- the characteristics of the client, including the categorisation of the client as a per se or elective Professional;
- the characteristics of the client order;
- the characteristics of the financial instrument that are subject of that order; and
- the characteristics of the execution brokers or entities to which that order can be directed.

The Company will seek to tailor the factors that it considers in order to provide best execution and act in the best interest for orders, drawing on its investment expertise.

Subject to client specific instructions, the Company will consider the total consideration payable by the client as an appropriate concept to deploy in determining how to obtain the best possible result for the client. Total consideration is defined as the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the order, such as execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order.

For clients classified as Professional clients, the Company may consider that total consideration is not an appropriate guide for execution in all cases, e.g. speed and likelihood of execution may take precedence during highly volatile market or illiquid instruments.

3. Conflicts of Interest

Conflicts of interest generally arise when two or more parties have conflicting interests while at the same time being bound by a duty of due diligence or loyalty towards one another. Consequently, conflicts of interest may arise with other third parties (such as brokers or other financial institutions) connected to the Company or our clients.

Additional information on handling conflicts of interest is also available on our website.

Conflict of interest within Gazprombank JSC Group

The Company transmits its clients' orders for execution to a related party. In this case, the Company ensures that the quality of execution offered to its clients has no negative impact. The related party was selected because it allows the Company to deliver the best possible result to its clients on a consistent basis.

Therefore, there is a link between the Company and the abovementioned execution broker.

The main execution broker in equities' classes of financial instruments during 2020 used by the Company was Gazprombank JSC (LEI 253400WSS48YWMBUA688).

Since Gazprombank JSC acts as custodian of a lot of client portfolios, most of the Company's orders are executed through Gazprombank JSC as main broker. GPB Financial Services Ltd is a fully owned subsidiary of Gazprombank JSC. The execution of trades with Gazprombank JSC based on internal standard processes increases the likelihood and quality of execution and settlement which leads to lower operational risk. Moreover, routing orders via the execution desk of Gazprombank JSC to third party brokers or counterparties might lead to lower actual costs per order.

Explanation of the factors that led to a change in the list of execution venues/brokers listed in our execution policy

The main order flow was utilized through brokers the Company worked during the previous years. However, the Company in 2020 utilized more international brokers for the execution of both equities and debt instruments. To execute such orders on Russian markets, the Company utilizes Gazprombank (entity within the same group). International brokers such as Tradition Securities and Futures, Aurel BGC SAS (formerly using GFI Securities (UK) Ltd – BGC Group), Alfa Capital Markets Limited, Dolfin Asset Services and Kaiser Partner Privatbank AG were used within 2020 for the execution of orders in international securities and/or debt instruments.

The brokers consistently provide better results on the execution, avoiding delays and failures of execution with sufficiently good results for our clients in terms of price and likelihood of execution. Company uses the providers to international markets due to the risk factors. The Company selects Brokers based on their creditworthiness, good reputation, access to the markets, infrastructure, algorithms availability, ability to provide DEA, as well as proven fact of delivering best possible results in terms of the execution factors concerned.

During the reporting period, the Company did not receive any remuneration, discount or non-monetary benefit for routing clients' orders to an execution venue, which would infringe any conflicts of interest or inducement requirements under MiFID II.

4. Data/tools used relating to the quality of execution

As part of this assessment, the Company has considered, amongst others, information published by the execution brokers (RTS27 reports published for 2020 where applicable) as well as information in relation to the quality of execution made available by financial data providers, such as Bloomberg and Reuters. The Company has also taken into consideration the market landscape, as well as the criteria used for the selection of the specific execution broker.

The Company will continue to look for and use any additional data, which will enable further analysis on best execution and the quality of execution obtained.

5. General Conclusion

In view of the above stated information, the Company considers that all execution factors and criteria as these are stated above, have been fully and duly considered, and in this respect have enabled the Company to take full advantage and make best efforts to provide best execution to its clients. The Company considers that the specific execution brokers provided sufficient execution arrangements in the relevant market and the outcome obtained was appropriate for its clients.