

# SUMMARY OF OUR ANALYSIS ON THE QUALITY OF EXECUTION OBTAINED WITH OUR EXECUTING BROKERS

April 2019

APPLICABLE TO SOCIETE GENERALE SA

Version 1.0

Societe Generale is a French credit institution authorised and regulated by the Autorite de Controle Prudentiel et de Resolution (the French Prudential Control and Resolution Authority, the ACPR), subject to the control and the supervision of the ACPR, the Autorite des Marches Financiers (the French Financial Markets Authority, the AMF) and the European Central Bank (ECB).

Societe Generale (SG) is authorized to provide investment services for the receipt and transmission of orders, the execution of orders on behalf of clients and the dealing on own account. In accordance with Directive 2014/65 / EU (known as MIF II), Societe Generale must take all the sufficient steps to obtain, when executing the orders of its clients, the best possible result for them, notably via the institution of an execution and selection policy provided to the clients beforehand. In accordance with Articles 65 and 66 of Delegated Regulation (EU) 2017/565 and Commission Delegated Regulation (EU) 2017/576, Societe Generale shall review at least annually the effectiveness of its policy and the provisions it has put in place to transmit and execute the orders of its clients. In addition, it shall publish information annually on the identity of the execution platforms and executing brokers it has selected, and on the quality of the execution obtained.

## **1) Affected clients et activities**

The information and results presented here are based on the analysis results for all orders executed or transmitted in 2018, on behalf of retail and professional's clients of Société Générale, via its activities of retail banking, private banking and corporate and investment banking.

## **2) Selection of the executing brokers**

### **a. Process of selection**

As mentioned in its policy, Societe Generale selects its executing brokers via tendering procedures, to access new marketplaces or to offer new financial instruments to its clients. Notably for the clients of our retail banking and private banking activities, this selection is based on the following criteria:

- The list of execution platforms proposed by the broker (SG focuses on price, probability of execution and market fluidity for order execution);
- The speed of transmission of orders on the markets and the feedback using the SWIFT network (SG limits the transmission of orders by phone, fax or chat and privileges secured communication via SWIFT);
- Brokerage costs invoiced to Société Générale;
- The compatibility of the Settlement Delivery arrangements with those of Société Générale;
- The execution policy of the broker;
- The reputation of the broker (log, press);
- The backup processes in case of technical failure of the broker.

Societe Generale favors SG Group's internal brokers who meet these criteria in order to pool support functions and costs, minimize operational risks and respond to the same execution policy defined by the Group. However, SG has no specific agreement with the selected brokers regarding payments made or received, rebates or benefits obtained, complying with the internal guidelines of the Group on the Code of Conduct for Personnel, the Anti-Bribery and Corruption Policy and the Preventing and Managing Conflicts of Interests Policy.

SG addresses brokers identically to all client orders, disregarding the category of financial instruments or in the category of the client.

On certain countries or certain financial instruments, Societe Generale chooses to use the services of several brokers in order to protect itself from the operational risk of a default of one of them. Client orders

are automatically distributed according to a method that allows us to switch at any time from one broker to another, in the event of a service default.

For retail clients of our retail banking and private banking activities, the best possible result of orders executions is determined based on the total price (total consideration) - representing the price of the financial instrument and the costs involved. at runtime. Rates applied to transaction notices sent to customers are set based on pricing tables.

#### **b. Methodology for the analysis**

Societe Generale monitors the effectiveness of its order execution system in order to detect possible defaults or failures and to make appropriate modifications, as the case may be.

For its retail banking and private banking clients, Societe Generale requests brokers to attest they are implementing all the measures to achieve the best execution for the orders transmitted. In addition, SG relies on a set of controls based on statistical samples of executions obtained through the services of its brokers, including the following:

##### **i. Analysis of prices obtained with the brokers**

Societe Generale periodically controls, on samples, the quality of order execution prices obtained with its brokers by assessing and comparing the results obtained on financial instruments traded on different trading venues. Samples were produced on the basis of orders transmitted by SWIFT with traders, regardless of the class of the financial instruments. As part of our quest for continuous improvement of our services, we reinforce these controls to make them more frequent and more precise.

##### **ii. Monitoring of the order processing by the brokers**

Societe Generale controls every month that the timing and quality of the acknowledgment (acknowledgment of receipt) and SWIFT confirmation orders execution instructions are in line with its objectives and legitimate expectations when using brokerage services.

This verification is done on the basis of the total number of instructions acknowledge by the broker (compared to the total of instructions sent by SG to the broker) and the speed of acknowledgment, the number of instructions confirmed by the broker (in relation to the total instructions sent by SG to this broker) and the speed of confirmation, and reconciliations between the SG instructions and the broker's confirmations.

##### **iii. Control of the fee schedules**

For retail clients of its retail banking and private banking activities, SG carries out a monthly check of the correct updating of the pricing configuration tables, to ensure the correct application of the fees according to the type of order and to the banking institution of its clients.

#### **c. Results of the analyses for 2018**

When receiving an order from a client, our retail banking or private banking services may forward it to the SG's internal business line of the CIB acting as a negotiator. For these clients, for the scope of orders transmitted outside Société Générale:

- The controls revealed that the best prices were obtained by the brokers selected a 100% on the samples analyzed in the last quarter of 2018;
- The processing quality of the acknowledgments is greater than 90% and the target treatment time of 15 minutes is respected in more than 9 out of 10 cases;

- The quality of order execution confirmations is greater than 95% and the target processing time of 15 minutes is respected in more than 9 out of 10 cases.

On the Euronext Paris, Amsterdam and Brussels markets, SG is very satisfied with the quality of the service, both for its main brokers and for its backup brokers.

In markets other than the Euronext Paris, Amsterdam and Brussels markets and / or quoted in currencies other than the Euro, SG is satisfied with the quality of the service. On 2018, executing brokers were requested to improve the levels of responsiveness and / or the proactivity on certain foreign marketplaces.

As part of its ongoing quest to improve its services, SG is asking its various brokers to generalize SWIFT communication, improving routing to brokers.

For our Corporate and Investment Banking clients, the quarterly brokers' performance reviews were based on the following criteria:

- The reliability of the service (less than one major incident per month);
- The best execution of orders from our clients;
- Compatibility with the evolutions of our systems;
- The answers to our requests.

On this scope, on 2018, no major anomaly has been detected.