



# MUFG EMEA Best Execution Policy



**MUFG BANK LTD. LONDON**

**MUFG SECURITIES (EUROPE) N.V**

**MUFG SECURITIES EMEA PLC**

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## 1. Introduction

This document sets out MUFG Bank Ltd. London, MUFG Securities (Europe) N.V and MUFG Securities EMEA Plc (collectively “MUFG EMEA”) Best Execution Policy (“Policy”) in accordance with the requirements of the European Union Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and the rules of our National Competent Authorities. Following Brexit on 31 December 2020, the EU Withdrawal Act 2018 (as amended by the EU Withdrawal Agreement) onshored MiFID II into the United Kingdom (UK), resulting in a UK version of MiFID II applying from 1 January 2021. Whilst the substance of MiFID II obligations are largely unchanged as a result of onshoring in the UK, there are some differences in the practical impacts on MiFID II provisions due to the UK’s exit from the EU.

The obligation under MiFID II requires MUFG EMEA to take all sufficient steps to obtain the best possible results on a consistent basis when executing client orders or receiving and transmitting orders on behalf of our clients, taking into account the execution factors such as price, cost, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of client orders.. The information set out in this policy sets out MUFG EMEA’s general approach to best execution and how we assess whether a transaction is in scope of best execution. The annex sets out detailed information with respect to specific product types.

## 2. Scope

This policy applies only to business conducted with clients classified by MUFG as Professional Clients and to certain “financial Instruments” as defined under the EU MiFID II<sup>1</sup> and the Financial Conduct Authority’s (FCA) Conduct of Business Sourcebook (“COBS”)<sup>2</sup> rules, which includes but not limited to currency derivatives (FX forwards, swaps and options), money market instruments, credit and interest rates derivatives, securitised derivatives, equities, equity derivatives, bonds, structured products, debt instruments and exchange traded derivatives.

Please note, the best execution requirements under MiFID II do not apply to spot foreign exchange (FX). Therefore, we do not have best execution obligations to the extent that you ask us to carry out spot FX transactions for you.

MUFG EMEA owes a duty of best execution when we execute transaction in financial instruments on your behalf, or where we transmit them to a third party for execution. If we act as principal or you provide us specific instructions, we do not act on your behalf and best execution is likely not applicable. However, when you legitimately rely on us in these transactions, we execute them on your behalf and apply best execution. For example, when you request a quote (RFQ) or we trade as principal on risk you are likely not legitimately relying on us and we do not apply the best execution principles. However, when you trade in principal capacity on a risk-less basis for equity trades we do apply best execution, because you have legitimate reliance on us.

## 3. Applicability

Where you are classified as a Retail client, MUFG EMEA will assume that you legitimately rely on us to protect your interest with regards to any transaction we execute with or for you.

For professional clients, we will determine whether there is “legitimate reliance” through application of a cumulative “four-fold test”. This test considers, but not limited to the following factors:

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<sup>1</sup> [Directive 2014/65/EU, Annex 1, Section C](#)

<sup>2</sup> [Financial Conduct Authority’s Conduct of Business Sourcebook \(“COBS”\)](#)

- Which party initiates the transaction? – Where you approach us, it is less likely that you will be placing reliance on us than if we approached you to propose a potential transaction.
- Questions of market practice and the existence of a convention to ‘shop around’ - Where there is a practice in the particular market that you are to shop around for quote or for business where you take responsibility for pricing, then you are less likely to place reliance on us.
- The relative levels of price transparency within a market – If you do not have access to the prices in the market in which you are looking to transact, it is more likely to place reliance on us. However, if you have access to prices in the particular market then it is less likely that you will be placing reliance on us.
- The information provided by MUFG EMEA and any agreement reached- Where our agreements with you is clear you are not relying on us to protect your interest in relation to the pricing and other element of a transaction, it is less likely that you will be placing reliance on us.

After considering the four-fold test, if the conclusion is that you are not legitimately relying on MUFG EMEA then the best execution obligation will not apply. However, if after the test there’s an indication of legitimate reliance, this policy will apply.

Where MUFG EMEA deals with you as a professional client on a RFQ basis it is less likely that you’ll be placing reliance on MUFG EMEA for best execution.

This policy does not apply to business conducted with clients classified as Eligible Counterparties (ECP), as such MUFG EMEA will not own best execution for transactions entered into with ECPs.

## **4. Best Execution**

### **4.1 Execution Criteria**

When executing transactions on your behalf or where you legitimately rely on us to act in your best interests, subject to any specific instructions from you we will consider a range of execution factors (please refer to 4.2) to determine the manner in which your order will be executed. The relative importance of each factor will be determined by us using the following execution criteria:

- The characteristics of your order and the nature of the dealing service you require of us;
- the characteristics of the financial instruments that are the subject of your order; and
- the characteristics of the execution venue (see Section 6 below) to which your order can be directed.

### **4.2 Execution Factors**

The relative importance of the execution factors below will be determined by MUFG EMEA, using our discretion in light of all available information at the time of the order:

- Price
- Costs
- Speed
- Likelihood of execution or settlement
- Size of your order
- Nature of your order
- Any other consideration relevant to the efficient execution of your order.

Ordinarily, price will merit a high relative importance in obtaining the best possible result. However, we may decide that other factors may be more important in determining the best possible execution result in accordance with our Policy.

#### **4.3 Over-the-Counter transactions**

If we execute an order on your behalf outside a trading venue, we will ensure that the price at which we transact is fair. We will do this by comparing the execution price we offer with current market prices for the same or similar financial instruments. Information can be provided on request with regards to the possible consequences of trading off-venue.

#### **4.4 Single venue**

Subject to any specific instructions you give to us, Japanese equity orders are generally transmitted to and executed through our affiliate Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in Japan.

### **5. Specific Instructions**

Where you provide us with specific instructions we will execute your order in accordance with those instructions. In doing so, we will be deemed to have satisfied our best execution obligations. Where your instructions relate to only part of the order, we will continue to apply our policy to those aspects of the order not covered by your specific instructions.

You should be aware that providing specific instructions to us in relation to the execution of a particular order may prevent us from taking steps that we have designed and implemented in this policy to give best execution. We will deem orders received via systems with direct market access as specific instructions.

### **6. Client Limit Orders**

Unless you notify us of the contrary, you instruct MUFG EMEA not to immediately make public any limit order in respect of shares admitted to trading on a Regulated Market ("RM"), Organised Trading Facility ("OTF") a Multilateral Trading Facility which is not immediately executed under prevailing market conditions.

MUFG EMEA will not structure or charge MUFG EMEA's commissions in such a way as to discriminate unfairly between execution venues. MUFG EMEA does not receive payment for order flow from execution venues where we direct your orders.

### **7. Monitoring and Review**

MUFG EMEA will monitor the effectiveness of our order execution arrangements and this policy and will assess on a regular basis whether the execution venues we have selected provide the best possible result for you on a consistent basis.

We will review this policy and our transaction execution arrangements on a regular basis. We will also conduct a review whenever a material change occurs that affects our ability to continue to achieve the best possible results for our clients.

Should there be any material changes to our transaction execution arrangements or Best Execution Policy, we will notify you and will also post an updated version of this document on: [Legal and Regulatory | MUFG EMEA](#)

### **8. Consent**

You will be deemed to provide consent to our Best Execution Policy when you place an order following receipt

of the Terms of Business that reference this policy.

In relation to financial instruments admitted to trading on a RM, MTF or OTF, we are required to obtain your prior express consent before we execute transaction in such instruments outside these venues. Please provide such consent through email or through the consent form provided to you by us, as without such consent we will be unable to undertake such transactions on your behalf.

## **9. No Fiduciary Responsibility**

Our commitment to provide you with best execution does not mean that we owe you any fiduciary responsibilities over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us.

## Annex 1 – Execution policy per financial instrument

<b>OTC derivatives</b> <ul style="list-style-type: none"> <li>- <b>Currency derivatives</b></li> <li>- <b>Credit, Interest Rate and Securitised derivatives</b></li> <li>- <b>Equity derivatives</b></li> </ul>	
<i>Instrument Types</i>	<ul style="list-style-type: none"> <li>• Swaps, forwards, and other currency derivatives</li> <li>• Government and corporate bonds</li> <li>• Convertible and exchangeable bonds</li> <li>• Certificates of deposit</li> <li>• Commercial Paper</li> <li>• Money markets instruments</li> <li>• Asset Backed Securities</li> <li>• Structured debt securities</li> <li>• Equity Options and Futures admitted to trading on a trading venue</li> <li>• Swaps, forward, warrants and other equity derivatives</li> </ul>
<i>Execution factors taken into account</i>	<p>When executing a client order, MUFG EMEA considers if the client is:</p> <p>a professional or retail client as defined by MiFID;</p> <p>is dealing in financial instruments in order to manage risk; and</p> <p>is subject to any specific instructions that we may accept from them or if they wish their order to be executed immediately.</p> <p>MUFG EMEA will only execute transactions on a Request-for- quote (RFQ) basis, i.e. clients must request and accept a quote prior to any execution. MUFG deems the time of execution to be the time a client accepts a quote.</p>
<i>Execution venues on which MUFG places reliance</i>	<p>Currency derivatives are executed by MUFG EMEA on a bilateral basis only and as such MUFG EMEA act as the</p>

	<p>sole execution venue at all times. It will use other execution venues to source liquidity and cover off credit risk.</p> <p>For other OTC derivatives, we may use the following types of execution venue to provide liquidity and execute client orders:</p> <ul style="list-style-type: none"> <li>• MUFG and its Affiliates where we internalise orders</li> <li>• Multilateral Trading Facilities</li> <li>• Organised Trading Facility</li> <li>• Systematic Internalisers</li> <li>• Market Makers and other liquidity providers</li> <li>• Non-EU entities performing similar functions</li> </ul>
<i>Selection criteria for execution venues</i>	<p>Where MUFG EMEA uses execution venues, price will ordinarily merit a high relative importance in obtaining the best possible result. However, where this is necessary in light of market circumstances or other relevant developments, we may decide that other factors are more important in determining the best possible execution result in accordance with our Best Execution Policy.</p>
<i>Trading outside a trading venue and associated risks</i>	<p>MUFG EMEA acts as counterparty in all trades and as such; there could be counterparty risk in the unlikely event that MUFG EMEA cannot meet its liabilities. In addition, as OTC transactions are negotiated and priced individually, and in the absence of central price information, there is less price transparency across the market</p>
<i>Summary of the selection process for execution venues</i>	<p>MUFG EMEA selects execution venues on the basis of best price or any other relevant execution factors in cases where we do not consider price the most important factor for providing best execution.</p>

<i>Execution strategy</i>	For all derivative transactions, MUFG EMEA will endeavour to provide a “fair price”. This means that we will ensure that any quoted price is in line with prices of similar derivatives that are being traded in the EEA markets at the time the quote is offered.
<i>Controls for monitoring best execution</i>	MUFG EMEA will monitor the effectiveness of our order execution arrangements and this policy and will assess on a regular basis whether the execution venues we have selected provide the best possible result for you on a consistent basis.

<b>Equities</b>	
<i>Instrument Types</i>	<ul style="list-style-type: none"> <li>• Shares</li> <li>• Depositary Receipts</li> </ul>
<i>Execution factors taken into account</i>	<p>The relative importance of the execution factors below will be determined by MUFG EMEA, using our discretion in light of all available information at the time of the order:</p> <ul style="list-style-type: none"> <li>- Price</li> <li>- Costs</li> <li>- Speed</li> <li>- Likelihood of execution or settlement</li> <li>- Size of your order</li> <li>- Nature of your order</li> <li>- Any other consideration relevant to the efficient execution of your order.</li> </ul>
<i>Execution venues on which MUFG places reliance</i>	<ul style="list-style-type: none"> <li>• For Japanese equities MUFG EMEA uses a single execution broker as executing venue in Japan, Mitsubishi UFJ Morgan Stanley Securities (MUMSS) for all categories of client order.</li> </ul>

	<ul style="list-style-type: none"> <li>For US Equities MUFG EMEA uses a single execution broker as executing venue in the US, MUFG Securities Americas Inc. for all categories of client order.</li> </ul>
<i>Selection criteria for execution venues</i>	Ordinarily, price will merit a high relative importance in obtaining the best possible result. However, we may decide that other factors may be more important in determining the best possible execution result in accordance with our policy.
<i>Trading outside a trading venue and associated risks</i>	Where MUFG EMEA acts as counterparty there could be counterparty risk in the unlikely event that MUFG EMEA cannot meet its liabilities. Information can be provided on request with regards to the possible consequences of trading off-venue.
<i>Execution strategy</i>	For all transactions that fall within the scope of MUFG EMEA's order execution policy, MUFG EMEA will endeavour to provide a "fair price". This means that we will ensure that any quoted price is in line with prices of equities that are being traded in the EEA markets at the time the quote is offered.
<i>Controls for monitoring best execution</i>	MUFG EMEA has an established an Equities Best Execution Committee that provides oversight and scrutiny of the delivery of best execution requirements. MUFG EMEA will monitor the effectiveness of our order execution arrangements and this policy and will assess on a regular basis whether the execution venues we have selected provide the best possible result for you on a consistent basis.

<b>Debt Instruments</b>	
<i>Instrument Types</i>	<ul style="list-style-type: none"> <li>• Government and corporate bonds</li> <li>• Convertible and exchangeable bonds,</li> <li>• Certificates of deposit</li> <li>• Commercial Paper</li> <li>• Money markets instruments</li> <li>• Asset Backed Securities</li> <li>• Structured debt securities</li> </ul>
Execution factors taken into account	<p>The relative importance of the execution factors below will be determined by MUFG EMEA, using our discretion in light of all available information at the time of the order:</p> <ul style="list-style-type: none"> <li>• Price;</li> <li>• Costs;</li> <li>• Speed;</li> <li>• Likelihood of execution or settlement;</li> <li>• Size of your order;</li> <li>• Nature of your order; or</li> </ul> <p>Any other consideration relevant to the efficient execution of your order.</p>
<i>Execution venues on which MUFG places reliance</i>	<p>Debt Instruments are executed by MUFG EMEA on a bilateral basis. However, we may use the following types of execution venue to obtain liquidity:</p> <ul style="list-style-type: none"> <li>• MUFG and its affiliates where we internalise orders</li> <li>• Multilateral Trading Facilities</li> <li>• Organised Trading Facility</li> <li>• Systematic Internalisers</li> <li>• Market makers and other liquidity providers</li> <li>• Non-EU entities performing similar functions</li> </ul>
<i>Selection criteria for execution venues</i>	<p>Ordinarily, price will merit a high relative importance in obtaining the best possible result. However, we may decide that other factors may be more important in determining the best possible execution result in</p>

	accordance with our Policy.
<i>Trading outside a trading venue and associated risks.</i>	MUFG EMEA acts as counterparty in all trades and as such, there could be counterparty risk in the unlikely event that MUFG cannot meet its liabilities. Information can be provided on request with regards to the possible consequences of trading off-venue.
<i>Execution strategy</i>	For all transactions that fall within the scope of MUFG's Best Execution policy, MUFG EMEA will endeavour to provide a "fair price". This means that we will ensure that any quoted price is in line with prices of similar debt instruments that are being traded in the EEA markets at the time the quote is offered.
<i>Controls for monitoring best execution</i>	MUFG EMEA will apply the "four-fold test" (as described in the Order Execution Policy) to all transactions in order to determine if a client legitimately relies on MUFG EMEA to provide the best result. MUFG EMEA will monitor the effectiveness of our order execution arrangements and this policy and will assess on a regular basis whether the execution venues we have selected provide the best possible result for you on a consistent basis.

<b>Exchange Traded Products</b>	
<i>Instrument Types</i>	<ul style="list-style-type: none"> <li>• Exchange Traded Funds</li> <li>• Exchange Traded Notes</li> </ul>
<i>Execution factors taken into account</i>	<p>The relative importance of the execution factors below will be determined by MUFG EMEA, using our discretion in light of all available information at the time of the order:</p> <ul style="list-style-type: none"> <li>- Price;</li> <li>- Costs;</li> </ul>

	<ul style="list-style-type: none"> <li>- Speed;</li> <li>- Likelihood of execution or settlement;</li> <li>- Size of your order;</li> <li>- Nature of your order; or</li> <li>- Any other consideration relevant to the efficient execution of your order.</li> </ul>
<i>Execution venues on which MUFG places reliance</i>	<p>Exchange Traded Products are executed by MUFG EMEA on a bilateral basis. However, we may use the following types of execution venue to provide liquidity and execute client orders:</p> <ul style="list-style-type: none"> <li>• MUFG EMEA and its Affiliates where we internalise orders</li> <li>• Multilateral Trading Facilities</li> <li>• Organised Trading Facility</li> <li>• Systematic Internalisers</li> <li>• Market Makers and other liquidity providers</li> <li>• Non-EU entities performing similar functions</li> </ul>
<i>Selection criteria for execution venues</i>	<p>Ordinarily, price will merit a high relative importance in obtaining the best possible result. However, we may decide that other factors may be more important in determining the best possible execution result in accordance with our Policy.</p>
<i>Trading outside a trading venue</i>	<p>If we execute an order on your behalf outside a trading venue, we will ensure that the price at which we transact is fair. We will do this by comparing the execution price we offer with current market prices for the same or similar financial instruments. Information can be provided on request with regards to the possible consequences of trading off-venue.</p>

<i>Execution strategy</i>	For all transactions that fall within the scope of MUFG EMEA's order execution policy, MUFG EMEA will endeavour to provide a "fair price". This means that we will ensure that any quoted price is in line with prices of exchange traded products that are being traded in the EEA markets at the time the quote is offered.
<i>Controls for monitoring best execution</i>	MUFG EMEA will apply the "four-fold test" (as described in the policy) to all transactions in order to determine if a client legitimately relies on MUFG EMEA to provide the best result. MUFG EMEA will monitor the effectiveness of our order execution arrangements and this policy and will assess on a regular basis whether the execution venues we have selected provide the best possible result for you on a consistent basis.