

# The Execution Policy of UniCredit Bank Austria AG.



This is how we execute  
orders for you.

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## 1 GENERAL PRINCIPLES FOR THE EXECUTION OF ORDERS.

### 1.1 INTRODUCTION.

The “Execution Policy of UniCredit Bank Austria AG” (“Bank Austria” or the “Bank”) defines the principles for executing a customer’s order for the purchase and sale of financial instruments in the customer’s best interest. The “General Terms and Conditions of UniCredit Bank Austria AG” shall apply in addition to the Execution Policy of UniCredit Bank Austria AG (“Execution Policy”).

The customer’s consent to the Execution Policy is required for the execution of customer orders for the purchase and sale of financial instruments. If such consent is declined, Bank Austria will not accept any further orders of this kind from the customer. Bank Austria will not accept any further orders for the purchase of financial instruments if the customer revokes his or her consent to the Execution Policy; Bank Austria will, however, continue to accept orders for the sale of financial instruments and for the closing of open derivative positions, and will execute them in accordance with the customer’s express instructions.

#### Please note:

If the customer gives Bank Austria explicit instructions for execution of an order, this may prevent Bank Austria from executing the order in accordance with the “best execution” criteria defined in its Execution Policy. The Bank then does not need to draw the customer’s attention to the effect of a customer’s explicit instructions whenever it executes an order.

Detailed information on the types of products described in the Execution Policy (hereinafter also referred to as “asset classes”) is provided in the brochure “Information on Investment. Factors to consider when making an investment – an overview of risks and opportunities”. The brochure can be obtained free of charge at Bank Austria branch offices.

### 1.2 DETERMINING A CUSTOMER’S INTEREST.

Sections 62 to 64 of the Austrian Securities Supervision Act 2018 (Wertpapieraufsichtsgesetz – WAG) require banks to establish an execution policy for the execution of customer orders for the purchase and sale of financial instruments with a view to achieving the best possible result for their customers in the execution of customer orders. Determining the best possible execution venue is no guarantee that the best possible result will actually be achieved for each individual order. The Bank must take all adequate measures to achieve the best possible result for the customer on a consistent basis. The procedure used for the execution of customer orders must typically lead to the best possible result for the customer.

In accordance with the legal framework, it is the Bank which is required to establish an Execution Policy. The Bank shall establish an Execution Policy at its own discretion, taking into account the following aspects:

- The price of the financial instrument;
- The costs related to execution of an order;
- The speed of execution;
- The probability of execution and processing of an order;
- The size and type of an order;
- All other aspects relevant to achieving the best possible result in the execution of an order;
- Qualitative factors to be considered when determining the execution venues;
- For further criteria to be considered when selecting execution venues see Chapter 2 “Special principles for the execution of orders per asset class”.

When determining the relevant execution venues, the Bank considers the execution venues where the financial instruments concerned are traded in significant volumes.

For retail customers, achievement of the best possible result is assessed on the basis of the overall valuation, which comprises the price of the financial instrument and all costs which are related to execution of an order. Speed, probability of execution and settlement, the scope and type of order, market impact and any other implicit transaction costs may take precedence over direct price and cost considerations to the extent that these factors

contribute to achieving the best possible result for the retail customer in the context of the total consideration.

If the customer assesses individual aspects or factors in a way that differs to the procedure defined by the Bank in its Execution Policy, and if the customer therefore prefers to have his or her order executed at an execution venue which differs from the Execution Policy, the customer must issue an explicit instruction with regard to the execution venue he or she prefers.

In the case of orders issued via an agreement on use of an Electronic Banking product of the Bank (Online Banking, BusinessNet), the customer will provide explicit instructions on the execution venue requested by him or her.

Orders issued by the customer via safe-custody accounts held for his or her securities investment plan, and via the securities savings scheme coupled with the standing order for the purchase of securities, will be executed in accordance with the special agreement concluded between the customer and the Bank.

In some cases, specific features of orders issued by the customer may result in the Bank, endeavouring to act in the customer's interest, being unable to determine an execution venue defined in its Execution Policy. In such a case, the Bank only accepts orders on the customer's explicit instructions regarding the execution venue. If the Bank executes an order in accordance with a customer's explicit instructions regarding the execution venue, it shall not be under any obligation to achieve the best possible results in respect of the selection of the execution venue. Such customer instructions shall be issued for every individual transaction.

In the case of customer orders issued in connection with asset management services (discretionary asset management, investment advisory agreements or similar agreements), the Bank must decide at its own discretion which of the execution venues defined in the Execution Policy can be selected to achieve the best possible results for the customer on a consistent basis.

### 1.2.1 Price.

For the purpose of determining the advantageous nature of an execution venue with regard to the price, the Bank assesses the pricing mechanisms of the execution venues. In particular, price quality depends on the number of market players, the possibility of using the services of market makers, and, if applicable, alignment with a lead exchange (reference market principle).

### 1.2.2 Costs.

Costs are determined as part of the total consideration, taking into account the following criteria:

#### 1.2.2.1 Commission business.

If the Bank executes the orders of its customers as a commission agent, the costs include, in addition to the Bank's fees and commissions, third-party fees (e.g. of brokers, of the stock exchanges

or the lead brokers/market makers active at the stock exchanges – this also includes the costs of a central counterparty), as well as all other fees paid to third parties involved in the execution of an order (taxes, clearing and processing fees), to the extent that these are charged to the customer.

#### 1.2.2.2 Fixed-price transactions.

In the case of fixed-price transactions relating to securities, costs are shown separately.

### 1.2.3 Other aspects of order execution.

In accordance with legal requirements, the Bank also takes the following aspects into account when executing orders for a customer:

#### 1.2.3.1 Speed of execution.

The speed of execution is understood to mean the period of time from acceptance of a customer order to the time the order could theoretically be executed at the execution venue. The speed of execution at the execution venue is significantly determined by the type of market model.

#### 1.2.3.2 Probability of execution and processing.

The probability of execution of an order at a specific execution venue depends significantly on the liquidity at that execution venue. In this context the Bank also considers the risk of partial execution, which may have a direct impact on total processing costs.

The probability of processing depends on the risks of carrying out the individual execution transactions, which may impair the delivery of financial instruments.

#### 1.2.3.3 Type and size of the order.

Based on the features of the customer order, the Bank also takes into account the type and size of the order.

A type of order executed at a specific execution venue may at the same time constitute an exclusion criterion for another execution venue.

#### 1.2.3.4 Qualitative factors of the execution venue.

The Bank takes qualitative factors into account. These include monitoring of trading activities by a trading monitoring unit, complaint management and processing of complaints, trading hours of the relevant execution venues, the binding nature of prices quoted and other price-related information, selection of order qualifiers and types of execution, counterparty risk of trading partners and safe processing.

## 1.3 CUSTOMER CLASSIFICATION.

In accordance with legal requirements, a customer is classified as a "retail customer", a "professional customer" or an "eligible counterparty", and he/she is informed of his/her classification.

### 1.4 ASSET CLASSES.

Financial instruments with the same terms are combined in asset classes and are subject to equal treatment for each asset class in accordance with the principles of execution.

### 1.5 SCOPE OF APPLICATION.

The Bank applies this Execution Policy to the execution of orders placed by retail customers and professional customers for the purpose of purchasing or selling securities or other non-securitised financial instruments.

Discretionary orders or similar orders which do not allow the Bank to determine a specific execution venue are executed by the Bank at its own discretion while protecting the interests of the customer. When executing such orders, the Bank will also endeavour to achieve the best possible results for the customer.

### 1.6 TRADING HOURS OF THE BANK.

Customer orders received outside the Bank's normal trading hours are considered in the order of receipt after trading is resumed.

### 1.7 EXECUTION VENUES AND TYPES OF EXECUTION.

When it established these principles and drew up the list of execution venues, the Bank considered and assessed particularly the stock exchanges and multilateral trading facilities (MTF) in Austria and abroad.

#### Please note:

The updated version of the list of execution venues is available from Bank Austria branches and can be viewed on the Bank Austria website at [www.bankaustria.at/en/legal-information-the-austrian-securities-supervision-act.jsp](http://www.bankaustria.at/en/legal-information-the-austrian-securities-supervision-act.jsp)

The Bank shall make use of financial intermediaries such as a commission agent. The Bank regularly cooperates with UniCredit Bank AG, a commission agent. In the past, these selected financial intermediaries have provided rapid and reliable execution without any discernible differences in quality. The Bank regularly reviews the quality of the financial intermediary or financial intermediaries with a view to achieving terms and conditions of execution that are in the customer's best interest.

The customer's consent to this Execution Policy authorises the Bank to execute an order directly or indirectly at a trading venue, at any other execution venue, or by trading for its own account. As a rule, trading for own account will be used in order to provide the customer with liquidity and reduce processing risks.

#### Control procedures in connection with the selection of execution venues:

The aforementioned criteria for selecting execution venues are reviewed on a regular basis. The securities markets and derivatives markets specified in the list of execution venues are required to regularly publish data on the quality of execution.

This information is therefore considered when analysing the selection procedure.

### 1.8 REVIEW OF MARKET SUITABILITY.

When executing orders outside of a trading venue, the Bank checks whether the price offered to the customer is fair by drawing on market data used for appraising the price of this product and, wherever possible, comparing the price with that of similar or comparable products.

### 1.9 AGGREGATION OF ORDERS.

The Bank executes comparable customer orders promptly in the order in which they are received unless this is impossible on account of the nature of the order or the prevailing market conditions, or if other action needs to be taken in the interest of the customer.

In such cases the Bank reserves the right to aggregate customer orders with orders of other customers or with transactions for own account. However, customer orders may only be aggregated if it can be expected that overall, such aggregation will not be disadvantageous to the customer or customers.

#### Please note:

It should be noted that the aggregation of an order with other orders and transactions may, however, at times be disadvantageous with regard to a certain order.

If aggregation results in the delayed execution of an order, aggregated orders can, for example, be only partially executed on account of their size, or specific orders may be executed at a lower price rather than at the higher price prevailing when the order was placed. Furthermore, the disruption or suspension of trading activity, or an early closing of subscriptions may delay or prevent the execution of orders.

In order to regulate the fair allocation of aggregated orders and transactions, guidelines for the allocation of aggregated orders have been drawn up and effectively implemented within Bank Austria. These guidelines govern the fair allocation of aggregated orders and transactions also in terms of how the volume and price of orders determine the allocation and partial execution of orders. Bank Austria allocates aggregated transactions in accordance with its guidelines for the allocation of orders.

If the Bank aggregates a customer order with a transaction for its own account and the aggregated order is partially executed, the Bank gives priority to the customer over its own transactions when allocating the aggregated transactions. However, if the Bank is able to demonstrate conclusively that it would not have been able to carry out the order at such advantageous terms, if at all, without aggregation, it may allocate the transaction for its own account on a proportionate basis in accordance with its guidelines for the allocation of orders.

In the interest of customers, the Bank aggregates orders for the sale of subscription rights with a view to keeping processing costs low and facilitating the sale of non-tradable units (sale of odd lots).

The Bank also endeavours to keep processing costs low by aggregating orders for the purchase and sale of units in Austrian or non-Austrian investment funds and transmitting them to the relevant institution accepting the order (depository or investment company).

If the execution of orders is delayed through order aggregation, especially in the case of the purchase or sale of investment fund units which are not redeemable on a daily basis due to the closure or liquidation of investment funds, it is possible that individual orders cannot be executed, or not immediately. It is also possible that individual orders cannot be executed, or not immediately, if order execution is delayed through aggregation, especially in the case of the purchase or sale of investment fund units which are not redeemable on a daily basis due to the closure or liquidation of investment funds.

The Bank reserves the right to aggregate customer orders placed via asset management services (discretionary asset management, investment advisory agreements or similar agreements) with other customer orders or also with transactions for its own account. The special principles of order execution (see item 2) shall also apply for such aggregations. In the case of discretionary asset management services, the Bank shall decide at its own discretion at which of the execution venues provided for by the Execution Policy the best possible result can be achieved for the customer on a consistent basis.

In line with market practice, the Bank saves customers additional costs by each day collecting the subscription orders received by it in the wake of a share issue for collective onward transmission to the lead manager of the issue.

### **1.10 ALLOTMENT IN THE CASE OF OFFERINGS.**

In the case of an initial public offering (IPO) and initial listing on a stock exchange, as well as in the case of subscriptions to capital increases, shares will be allotted by the lead manager for the offering (the lead bank mandated by the issuer).

If the lead manager sets no specifications for allotment or if the allotment received is too small, the Bank must choose an allotment procedure. Potential allotment procedures are: percentage-based allotment, scaling of order volumes, time of receipt of the subscription order, according to a special key or drawing by lots.

Irrespective of the allotment procedure chosen, the Bank will ensure that in the interest of all customers, allotment is effected in a fair manner and – if possible – in tradable minimum volumes.

### **1.11 EXECUTION VENUES.**

Orders regarding shares and securities similar to shares will be transmitted for execution to financial intermediaries who will, as a rule, also have access to their home stock exchanges. In such cases, the Bank will be subject to the principles of order execution of the financial intermediary in question. Therefore, execution directly on the stock exchange cannot be guaranteed by the Bank, which means that the Bank cannot accept explicit customer instructions in this respect for such orders. The Bank can however accept explicit customer instructions for orders regarding securities for which a financial intermediary of UniCredit Group has direct access to a stock exchange by means of a stock exchange link. On the basis of the consistently highest liquidity as well as rapid and cost-efficient execution, the Bank will transmit orders in this “asset class” for execution directly through the electronic trading systems on a regular basis provided the customer order was placed during trading hours. Orders placed after the close of trading can be executed in floor trading systems, where applicable, or the Bank can effect their over-the-counter execution by trading for its own account. If orders are not executed and if such orders are valid for a longer period, such orders will be considered on the following business day in the order of receipt.

The Bank assumes no guarantee that each order will actually be executed at the execution venue chosen. Orders not executed on the same day they are placed will remain at the execution venues in question if this is provided for on the basis of the type of order and if the customer has not provided for the expiry of the order (e.g. in the case of day orders).

If securities included in this asset class are not traded on the stock exchange indicated or if trading incidents occur (e.g. interruption of the reference market, volatility interruptions or similar incidents), orders may be executed at an alternative domestic stock exchange, safeguarding the customer's interests, or the Bank may execute the order over the counter by trading for its own account in the customer's interests, or else the Bank will inform the customer in case of cancellation of orders by the stock exchange due to trading incidents.

The purchase or sale of such securities may also be effected over the counter at a fixed price agreed upon with the Bank (in a so-called fixed-price deal). The Bank is under no obligation to enter into such transactions. If a fixed-price deal is concluded, the Bank will offer an immediate price commitment for such securities during the Bank's customary trading hours and in consideration of the market situation.

## 2 SPECIAL PRINCIPLES FOR THE EXECUTION OF ORDERS PER ASSET CLASS.

### 2.1 SHARES AND SECURITIES SIMILAR TO SHARES.

In addition to shares and securities similar to shares, exchange-traded funds (ETFs) are also included in this asset class.

Domestic shares are essentially traded in Austria, so that against the backdrop of the required price quality and the lower costs related to execution, the Vienna Stock Exchange is, in principle, the appropriate execution venue.

On the basis of consistently highest liquidity as well as rapid and cost-efficient execution, the Bank will therefore execute orders regarding Austrian securities through the electronic trading system of the Vienna Stock Exchange.

In principle, orders regarding foreign shares are executed on the home stock exchange as this offers the shares in question the highest liquidity and, related to this, the consistently highest probability of execution and probability of best price formation.

If a foreign share is listed on the Vienna Stock Exchange and on German stock exchanges, and if there is sufficient liquidity, such stock exchanges will be used in this sequence before the home stock exchange as the costs related to the transaction are the most favourable for the customer.

### 2.2 SUBSCRIPTION RIGHTS.

In addition to classic subscription rights, marketable acquisition rights as well as redemption rights are included in this asset class.

In view of the time limit for subscription, the criteria of probability and speed of execution are to be given a stronger weighting for subscription rights held in safe custody abroad.

Orders regarding subscription rights listed on a domestic stock exchange will be executed on the Vienna Stock Exchange or via the depository.

Orders for securities held in safe custody abroad will be executed over the counter directly via the foreign depository or via the foreign stock exchange.

To keep processing costs low, the Bank will aggregate such orders in the customers' interests.

### 2.3 FIXED-INCOME SECURITIES AND SECURITIES SIMILAR TO FIXED-INCOME SECURITIES AS WELL AS STRUCTURED SECURITIES.

This asset class includes fixed-income securities (bonds) and money market paper as well as other securities similar to fixed-income securities and structured bonds.

For securities in this asset class, the Bank offers the option of purchasing them directly from, or selling them to, the Bank at prices continuously updated upon request. Purchase or sale will be effected at a fixed price agreed upon with the Bank (in a fixed-price deal). The Bank is under no obligation to enter into such transactions. If a fixed-price deal is concluded, the Bank will offer an immediate price commitment for such securities during the Bank's customary trading hours and in consideration of the market situation.

If no fixed-price deal is concluded, the Bank will transmit orders for the purchase or sale of securities for execution via appropriate financial intermediaries in the form of commission business or via the stock exchanges.

### **2.4 INVESTMENT FUND UNITS.**

The purchase and sale of investment fund units for which Bank Austria is the custodian bank are executed by Bank Austria as custodian bank at the net asset value (plus the front-end fee according to the prospectus).

Orders for the purchase or sale of domestic investment fund units for which Bank Austria is not the custodian bank will be transmitted to the Austrian custodian bank for execution. If the custodian bank is not the order-receiving agent, orders will be transmitted directly to the investment fund management company for execution.

Orders for the purchase or sale of foreign investment fund units will be transmitted to an international fund order routing platform (an MTF) for execution. If the fund to which the customer's order relates is not a member of the fund order routing platform, orders will be transmitted to the order-receiving unit. The order-receiving unit may be the investment fund management company or its custodian bank.

### **2.5 PARTICIPATION CERTIFICATES.**

The Bank will deal with all orders regarding listed participation certificates which carry features similar to shares or fixed-income securities in accordance with the criteria defined in item 1.11.

If no execution venue with the consistently highest liquidity and related rapid and cost-efficient execution can be determined, the Bank may accept an order for over-the-counter execution in the form of a fixed-price deal with regard to such securities.

### **2.6 WARRANTS.**

The Bank will transmit orders regarding warrants issued by itself or by third parties in the form of commission business for execution via financial intermediaries or via stock exchanges.

Orders for subscription of warrants will be settled over the counter via financial intermediaries or via the issuer.

### **2.7 CERTIFICATES.**

The purchase and sale of certificates (structured investment products) issued by the Bank itself or by third parties will be effected at a fixed price agreed upon with the Bank (in a fixed-price deal). The Bank is under no obligation to enter into such transactions. During the customary trading hours, the Bank will set firm prices upon request and provide an immediate price commitment in consideration of the market situation and disclosing all costs related to such execution.

If no fixed-price deal is concluded, the Bank will execute orders in the form of commission business via financial intermediaries or directly via an adequate execution venue which offers the consistently highest liquidity and related rapid and cost-efficient execution. If no adequate execution venue can be determined, the Bank will transmit the orders for execution through financial intermediaries via the home stock exchange or via the issuer.

Orders regarding the subscription of certificates (structured investment products) will be settled over the counter via financial intermediaries or via the issuer.

### **2.8 NON-EXCHANGE-TRADED DERIVATIVE CONTRACTS.**

For transactions regarding non-securitised financial instruments, the Bank offers the option to conclude such transactions directly with the Bank at prices continuously updated upon request. Such transactions will be concluded at a fixed price agreed upon with the Bank (in a fixed-price deal). The Bank is under no obligation to enter into such transactions. If a fixed-price deal is concluded, the Bank will offer an immediate price commitment for such instruments during the Bank's customary trading hours in consideration of the market situation and disclosing all costs related to such execution.

### **2.9 SECURITIES FINANCING TRANSACTIONS.**

These are agreements made individually – as in the case of non-exchange-traded derivative contracts – between the Bank and a customer. Such transactions include repurchase agreements (securities lending) or buy/sell-back transactions.

An alternative execution venue is not available. The transaction is concluded directly with the Bank on the agreed terms and conditions. The Bank ensures that the agreement is made in conformity with regulatory requirements concerning price fairness.

### 3 FINAL PROVISIONS.

If individual financial instruments cannot be conclusively assigned to an asset class, an explicit customer instruction with regard to the execution venue will be required.

If the Bank is unable to execute an order at the determined execution venue due to bank holidays, trading incidents or technical limitations at the time the order was placed, the order may also be executed at another execution venue while safeguarding the customer's interests. If the execution venues chosen by the Bank as appropriate alternatives are not available either, an explicit customer instruction with regard to the execution venue will be required.

If an order is received outside the trading hours of the execution venue determined, the choice of the execution venue will require an explicit customer instruction unless the customer desires execution on the next trading day pursuant to these principles of order execution. In the case of an order with an explicit customer instruction, the Bank will not choose a different location for order execution, even if the order will not or cannot be executed at the chosen execution venue for a long period of time. As regards orders not executed immediately or on the first day of validity, the Bank will keep records of such orders and inform the customer of any events (e.g. corporate action, suspension of trading) which lead to the expiry of an order.

The implementation of this Execution Policy is supported by the technical system. If such system support should not be available temporarily, the Bank will determine an execution venue without such system support at its own discretion in accordance with the Execution Policy, thus safeguarding the customer's interests.

The Execution Policy, including the list of execution venues, is reviewed on a regular basis at least once a year and amended if the need should arise. Customers will be informed of any material changes in the Execution Policy without delay in an appropriate form. The valid version of the Execution Policy can be obtained free of charge at Bank Austria branch offices and downloaded from Bank Austria's website ([www.bankaustria.at](http://www.bankaustria.at)).

# Definitions of selected terms.

This glossary serves as information only and is not an integral component of Bank Austria's Execution Policy.

## **CERTIFICATE:**

A certificate enables an investor to participate directly in the underlying instrument. To acquire the right to participate in an underlying instrument by means of a certificate, the investor pays the full amount for the underlying instrument via the certificate. This is usually calculated on the basis of the subscription ratio of the certificate, multiplied by the price of the certificate. If the value of the underlying instrument increases, the investor will get the value of the underlying instrument back. Certificates are the most widely used type of structured investment products. In legal terms, certificates are debt instruments of the issuer. Unlike classic debt instruments, which give the buyer a fixed claim to interest payments and repayment of the nominal amount at the end of the term, certificates come with their own specific repayment profiles. Certificates are as a rule quoted per unit.

## **CLEARING:**

Settlement in futures trading is referred to as clearing.

## **DERIVATIVE CONTRACTS:**

Generic term for financial instruments whose price is derived from the price of other securities or financial products (the so-called underlying instruments or underlyings). Examples of derivatives are options, futures and swaps.

## **EXCHANGE-TRADED FUNDS (ETF):**

Exchange-traded funds (also called index shares, exchange-traded index funds or abbreviated ETFs) are investment funds traded on a stock exchange and generally operated as index funds.

## **EXECUTION VENUES:**

These include regulated markets, multilateral trading facilities (MTFs), systematic internalisers, market makers, any other liquidity provider or any entity that performs a similar function in a third country.

## **FINANCIAL FUTURES:**

Financial futures are futures contracts on shares, fixed-income securities, foreign exchange, indices and precious metals.

They differ from traditional futures contracts in that financial futures are not, in principle, designed for performance of the contract. In most cases, a cancellation, i.e. an offsetting transaction, is effected before the maturity of the contract. Only the amount of any difference must be paid.

## **FINANCIAL INTERMEDIARIES (BROKERS):**

Brokers advise investors with regard to their investments and handle purchase and sale orders through their membership in stock exchanges.

## **FIXED-INCOME SECURITIES:**

Bonds issued by public authorities, certain banks, states and large industrial enterprises.

Unlike shares, by which an investor acquires an ownership interest, fixed-income securities merely entitle investors to receive interest payments and eventually to repayment (redemption).

Payments for fixed-income securities have top priority for issuers as default can lead to bankruptcy, while shareholders are in general not entitled to dividend payments.

Fixed-income securities may be denominated in different currencies and they also differ in terms of their payment and redemption conditions, ranking, and maturities.

## **FOREIGN EXCHANGE:**

Foreign exchange refers to receivables in foreign currency. These may be deposits or cheques denominated in foreign currency.

### FORWARDS AND FUTURES:

Forwards and futures are transactions, especially on the stock exchange, where in contrast to spot trading, the performance of the contract, i.e. the purchase and delivery of commodities, foreign exchange or securities, is effected on a later date at a fixed agreed price or at a price determined on the stock exchange.

The motive for concluding such transactions is the hope for, or the expectation of, a change in the spot price on the settlement day.

A distinction is made between forward transactions with fixed purchase and delivery obligations (firm deals) and forward transactions where one of the partners reserves the right to cancel the transaction against payment of a premium and, at the same time, has the right to demand the delivery or purchase of the securities (option transaction).

### INVESTMENT FUNDS:

Investment funds are portfolios of assets managed by investment trusts or investment companies and invested in shares, real estate etc. Investors in such funds receive unit certificates for the fund's assets. If an investment fund earns income from price gains, dividends, interest etc., this is usually distributed to the unitholders. In the case of growth funds, such income is reinvested, which is reflected in a gain in value of the investment fund units.

### INITIAL PUBLIC OFFERING (IPO):

An "initial public offering" means that a company's shares are offered on the stock market for the first time in the course of a capital increase or a secondary placement. This is related to its general admission to listing and the stock exchange listing. A new issue serves to raise venture capital for the company in order to finance various sectors.

### INVESTMENT COMPANY:

Investment companies are companies which collect capital from investors in order to invest it, usually in a diversified way in the form of investment funds, in certain markets (domestic and/or foreign securities, money market paper, real estate, equity interests).

In return, unit certificates in small denominations (investment fund units or shares) are issued, the purchase of which enables their holders to become proportional owners of the fund's assets by investing a small amount of capital.

### HOME STOCK EXCHANGE:

This term refers to the stock exchange situated in the geographical vicinity of a company's headquarters.

### MARKET MAKER:

Market makers continuously make offers for the purchase and sale of financial instruments on financial markets, and trade in these instruments for their own account at the purchase and sale prices offered, employing their own capital.

### OPTION:

An option gives the purchaser the opportunity to accept or reject a specific previously contractually agreed offer during a maturity period (American style option) or at maturity (European style option). Alternatively, there is the option to receive the difference by which the exercise price of the warrant exceeds the current price of the underlying instrument on the exercise date. There are options to buy (call options) and options to sell (put options). While the former entail an option for purchase, the latter entail an option for sale. Options on shares, futures or other underlyings are traded on futures exchanges. If an option has not been exercised by the last trading day or sold before that date, it will expire worthless.

### SHARE:

A share corresponds to a certain part of a company's equity capital, its amount is indicated by the nominal value of the share. A shareholder is the rightful owner of a part of the company and participates in the company's profits through dividends. In addition, ownership of shares gives the shareholder voting rights at general meetings of shareholders. Under the Austrian Joint Stock Companies Act (Aktiengesetz, AktG), a company can also issue no-par value shares. In the case of such shares, the share capital is represented by a certain number of shares and not by a certain nominal amount (par value shares). While ordinary shares (common stock) entitle their owners to one vote per share, preference shares (preferred stock) do not carry voting rights, but receive a slightly higher dividend than ordinary shares.

### SHARE INDEX:

A share index is an indicator of price developments in a stock market as a whole and/or of individual groups of shares (e.g. DAX® 30). Share indices are intended to offer investors guidance with regard to trends in the stock market.

An index is calculated on the basis of a weighted measure of the average development of joint stock companies included in the index. Share indices can be either price indices or performance indices.

### SUBSCRIPTION RIGHT:

In the course of a capital increase, a subscription right guarantees a shareholder the opportunity to maintain his or her percentage share of equity capital by purchasing new shares. This right is (usually) certificated by a subscription warrant.

### SWAP:

In the case of a swap, two contracting parties swap their financing conditions and profit from the cost advantages of the respective other party.

Swap transactions mainly take the form of currency swaps and interest rate swaps. A currency swap is a swap of an amount of capital plus the resulting amount of interest in one currency against an amount of capital plus the resulting amount of interest in another currency. The swap can be advantageous for both sides under the following conditions:

1. Two companies in different countries have the same financing interests with regard to volumes, maturities and the basis of interest calculation, but opposite currency needs.
2. Due to the advantage of their standing in the home market, each of the two enterprises can borrow on the home market on more favourable terms than the other enterprise.

In such a case, a currency swap can, for instance, be concluded as follows: a German company and a US company each incur debts in their home markets; the borrowed funds are swapped at the spot rate, the annual interest payment obligations are mutually met, and on the maturity date, the capital sums are swapped back at the original spot rate.

In addition to hedging against currency risk, a currency swap also gives the two parties cheaper access to the respective foreign currency markets.

Interest rate swaps work along the same lines. For instance, fixed-income securities subject to different financing conditions are swapped, e.g. variable interest rates against fixed interest rates.

### WARRANT:

A warrant contains the certificated right of exercise for the purchase of a certain number of securities (underlyings) at a fixed price within a certain period of time.

Warrants may be issued together with a bond as a “bond with warrants”, but they are traded on the exchange individually and separately from the bond. Due to their leverage, warrants are preferred by speculative investors.

The real price of a warrant may diverge from the theoretical value of the warrant if speculative investors, expecting rising share prices, are prepared to pay a premium for leverage.



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[bankaustria.at/en/mobilebanking-app.jsp](https://bankaustria.at/en/mobilebanking-app.jsp)



#### **Our customer services in the Internet**

[bankaustria.at/en/customer-support.jsp](https://bankaustria.at/en/customer-support.jsp)



#### **Our branches throughout Austria**

[filialen.bankaustria.at/en/](https://filialen.bankaustria.at/en/)

**You will find us on:**



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