

DZ BANK's order execution policy for crypto-asset trading

Client information

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Disclaimer

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Preamble

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main ("DZ BANK") provides the banks of the German Cooperative Financial Services Network (collectively the "banks", individually the "bank") with an online offer for their clients (collectively the "clients", individually the "client") to purchase and sell crypto-assets ("crypto-asset trading") via a mobile app (the "mobile app"). Within the scope of crypto-asset trading, the clients can place individual orders to buy and sell crypto-assets (collectively the "crypto-asset orders", individually the "crypto-asset order"). The bank executes the crypto-asset orders as a commission agent, by mandating DZ BANK as an additional agent to conclude a buy or sell transaction (collectively the "execution transactions", individually the "execution transaction") in its own name and on behalf of the client with a third party ("execution venue") for the account of the bank. DZ BANK concludes the execution transaction with an off-exchange execution venue.

DZ BANK makes certain arrangements for executing the crypto-asset orders ("order execution"). This includes, in particular, the determination of the order execution policy in accordance with Article 78 (2) of Regulation (EU) 2023/114 on markets in crypto-assets ("MiCAR"). The following information explains how DZ BANK executes crypto-asset orders prompt, fair and expeditious, in order to obtain the best possible result for the banks and therefore for the clients too.

1. Scope of validity

The order execution policy applies for all execution transactions concluded by DZ BANK in crypto-asset trading with the banks and the clients.

2. Priority of the client instruction

In crypto-asset trading, the bank and the clients are generally unable to give any instructions about the order execution, as there is only one trading opportunity provided for DZ BANK via EUWAX AG.

However, if the bank issues an instruction to DZ BANK, i.e. an instruction to execute a crypto-asset order in several execution transactions over an extended period, and DZ BANK accepts such instruction, the bank's instruction always takes precedence over this order execution policy. As DZ BANK offers crypto-asset trading in the basis of a request-for-quote process, an instruction cannot be given, for example, with regard to a limit or diverging validity. The request-for-quote process describes a process by which the market participant request a price for buying or selling crypto-assets at the execution venue. After the client makes the request, the client submits the offer with the specific purchase price that the execution venue can accept.

Note:

As a result of an instruction from the bank, DZ BANK is not obliged to execute a transaction to its best ability in accordance with this order execution policy.

3. Order execution

The bank instructs DZ BANK to execute its clients' crypto-orders. If such an order does not include any classification of the client, DZ BANK assumes the client is classified as a retail investor within the meaning of Article 3 (1) no. 37 MiCAR in order to achieve the highest level of protection possible for the client. DZ BANK concludes the execution transaction with the execution venue described in Annex 1 in line with this order execution policy.

4. Order execution outside of a trading platform

DZ BANK executes the execution transaction exclusively outside of a trading platform.

OTC (Over the counter) trading is where an order is executed outside a multilateral system and therefore outside a trading platform in accordance with Article 78 (5) MiCAR in conjunction with Article 3 (1) no. 18 MiCAR. The bank must give its express consent for orders to be executed outside a trading platform, without which DZ BANK cannot execute the transaction.

5. Selection decision

5.1 Order execution factors

When executing the order, DZ BANK takes the following factors in account in accordance with Article 78 (1) sub-para. 1 MiCAR:

- the price of the crypto-assets,
- the costs associated with the order execution,
- the speed of the order execution,
- the probability of execution and settlement of the crypto-asset order,
- the size of the crypto-asset order,
- the nature of order execution,
- the conditions of custody of crypto-assets,
- and all other factors that are relevant to the order execution. DZ BANK considers the following to be relevant factors for the order execution:
 - the regulation of the execution venue,
 - the clearing and settlement system of the execution venue,
 - the technical infrastructure of the execution venue,
 - the contingency safeguards of the execution venue,
 - further features of the execution venue.

5.2 Evaluation of the factors for the order execution

5.2.1 Price of the crypto-assets

When buying crypto-assets, the price of the crypto-assets refers to the price payable by the bank for the execution transaction and when selling crypto-assets, the proceeds to be achieved by the bank, excluding DZ BANK's commission ("execution price"). The execution price is used to determine the amount the bank and the client have to pay or what they receive for selling the crypto-assets. DZ BANK therefore attaches very material importance to the execution price.

5.2.2 Costs associated with the order execution

The costs associated with the order execution are the costs incurred by DZ BANK in connection with the order execution. These include any trading fees charged by the execution venue. DZ BANK attaches very material importance to this factor, as any costs associated with the order execution make crypto-asset trading more expensive overall for the bank and therefore also for the client.

5.2.3 Speed of the order execution

The speed of the order execution relates to the period between receipt of the order at the execution venue and conclusion of the execution transaction. Because this time span also effects when the client can access the purchased crypto-asset or the sales proceeds, DZ BANK gives this factor a high weighting.

5.2.4 Probability of execution and settlement of the crypto-asset order

The likelihood of execution and settlement of the crypto-asset order denotes the likelihood that the execution venue is available as counterparty (likelihood of execution) and the likelihood that the concluded transaction will be settled (likelihood of settlement). Because DZ BANK and the bank may often be unable to deliver the desired crypto-assets to the client, in case of a low likelihood of execution and settlement, DZ BANK gives this factor a high weighting.

5.2.5 Size of the crypto-asset order

The size of the crypto-asset order refers to the equivalent amount of the crypto-asset order. This includes whether the execution venue changes its allocation of crypto-asset orders depending on the size of the order. Given that it is important for the client and the bank that the execution venue executes orders to buy crypto-assets up to an amount of EUR 100,000 at the same terms, DZ gives this factor a high weighting.

5.2.6 Nature of order execution

The nature of order execution refers to the types of order that can be executed at the execution venue. As DZ BANK's business model exclusively offers crypto-asset orders for immediate execution, it gives this factor a low weighting.

5.2.7 Conditions for custody of crypto-assets

The conditions for custody of crypto-assets are the conditions under which the execution venue holds – or allows to be held – its crypto-assets available for trading. The manner in which an execution venue holds the crypto-assets it trades in custody, or allows them to be held by third parties, may influence the extent to which these are available for trading. The availability of crypto-assets for trading is affected, in particular, if the crypto-assets of the execution venue are held in custody by a crypto custodian licensed in the EU and therefore in a legally compliant and secure manner. It is also important if crypto-assets are stored in omnibus wallets, which also hold clients' crypto-assets, thereby enabling crypto-assets to be transferred without executing transactions on the blockchain, but rather through regular, faster and more cost-effective transfers in the omnibus wallets. DZ BANK therefore gives this factor a high weighting.

5.2.8 Other relevant factors for the order execution

5.2.8.1 Regulation of the execution venue

Regulation of the execution venue refers to the applicable provisions for the execution venue. In line with regulatory requirements, DZ BANK may only cooperate with an execution venue, provided the latter is license holder authorised to offer crypto-asset services for the exchange of crypto-assets for funds in accordance with Article 3 (1) no. 16(c) MiCAR. DZ BANK therefore gives the regulation of the execution venue a very high weighting.

5.2.8.2 Clearing and settlement system of the execution venue

The clearing and settlement system of the execution venue refers to the systems used by the execution venue for the settlement and fulfilment of the concluded transactions. The comprehensible settlement and fulfilment of the execution transactions concluded with the execution venue are important DZ BANK gives the clearing and settlement system a high weighting.

5.2.8.3 Technical infrastructure of the execution venue

The technical infrastructure of the execution venue relates to the technical systems used by the execution venue. Because these may affect the reliability of business transactions, DZ BANK gives the technical infrastructure a high weighting.

5.2.8.4 Contingency safeguards of the execution venue

The contingency safeguards of the execution venue relate to the systems used by the execution venue to respond to unforeseen events. As the quality of these systems can affect to what extent the execution venue is available for executing crypto-asset orders in such situations, DZ BANK gives the execution venue's contingency safeguards a high weighting.

5.2.8.5 Internal regulations and business conditions of the execution venue

Internal regulations and business conditions of the execution venue relate to whether the execution venue voluntarily submits to market conformity controls. The regulations that are applicable at the execution venue also play a role, for example, if a concluded transaction was not based on market prices (mistrade regulation). Because the internal regulations of the execution venue may influence the execution quality, DZ BANK gives the internal regulations and business conditions of the execution venue a high weighting.

5.2.8.6 Further features of the execution venue

Furthermore, factors such as the stability of the business relationship, the trading times offered and availability of points of contact may affect the quality of the order execution. Overall, DZ BANK gives this factor a high weighting.

5.3 Decision in favour of the EUWAX AG execution venue

5.3.1 Reasons in favour of using only one execution venue

DZ BANK has opted for a single execution venue only, in order to be able to offer efficient and cost-effective execution of crypto-asset orders. Connecting to several execution venues would entail a considerable additional administrative workload for DZ BANK. The connection costs would significantly increase the overall costs of crypto-asset trading. DZ BANK wants to avoid this in the interests of its clients. DZ BANK and the bank share a state-of-the-art technical infrastructure.

5.3.2 Reasons for the decision in favour of EUWAX AG

Annex 1 includes a list of the execution venues selected by DZ BANK.

The pricing process played a material role in the decision in favour of the EUWAX AG execution venue specified in Annex 1. When determining prices, EUWAX AG takes into account the volume-weighted average prices on several liquid reference markets, thereby incorporating the current price situation of the overall market in the pricing.

6. No payment for order flow

EUWAX AG does not pay any charges to DZ BANK. Nor does it grant it any discount or monetary advantages in return for the execution of crypto-asset orders.

7. Review of the order execution policy

In accordance with Article 78 (6) MiCAR, DZ BANK regularly – at least annually – assesses the effectiveness of its order execution arrangements and its order execution policy.

In particular, DZ BANK regularly reviews whether executing orders on EUWAX AG continues to provide the banks and the clients with the best possible result, or if it needs to change the order execution arrangements. If DZ BANK determines that EUWAX AG can no longer execute crypto-asset orders in the banks' and clients' best interest, DZ BANK will modify the order execution policy.

7.1 Review of the price of the crypto-assets

DZ BANK monitors the price quality of the execution prices offered by the execution venue. The monitoring is conducted within the scope of backtesting processes. To this end, DZ BANK uses informative samples with historical data from executed crypto-asset orders to assess whether an order execution at another execution venue in compliance with the criteria set out in prov. 5.1 and the evaluation standards set out in prov. 5.2 would have led to a better result for the client.

7.2 Review of the costs associated with the order execution

Within the scope of the backtesting regarding the prices, DZ BANK also assesses the costs associated with the order execution.

7.3 Review of the speed of the order execution

DZ BANK assesses the speed of the order execution by analysing whether EUWAX AG meets a client's request for a quote within 25 seconds as part of the request-for-quote process.

7.4 Review of the probability of execution and settlement of the crypto-asset orders

To review the likelihood of order execution, DZ BANK calculates the response rate and the completion rate with the help of the data provided by EUWAX AG.

To review the likelihood of execution of the crypto-asset orders, DZ BANK assesses whether EUWAX AG has correctly performed the contracts concluded concerning the execution transactions.

7.5 Review of the size of the crypto-asset order

DZ BANK reviews the size of the crypto-asset order, by also especially assessing the speed and likelihood of execution of large-volume orders when reviewing the speed and likelihood of execution.

7.6 Review of the nature of the order execution

As DZ BANK executes all crypto-asset orders using the request-for-quote process and instructions for conditional crypto-asset orders can therefore not be given, DZ BANK does not assess compliance by the execution venue with this factor.

7.7 Review of the conditions for custody of crypto-assets

A review of the speed and likelihood of execution also establishes whether EUWAX AG continues to hold in custody the crypto-assets available for trading so that crypto-assets can be transferred by means of changes to inventory lists in omnibus wallets.

7.8 Review of the other execution factors

In case of changes to the legal position, DZ BANK reviews whether EUWAX AG adapt to the changes.

With regard to the execution venue's clearing and settlement system, its technical infrastructure, contingency systems, internal regulations and business conditions of the execution venue, and further features, DZ BANK monitors whether changes arise that could put that banks at a disadvantage.

Annex 1

Execution venue
EUWAX AG

Regulatory authority
BaFin (BaFin-ID: 20000020)

Legal entity identifier
529900032TYR45XIEW79

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