

	<p>Order Execution Policy</p> <p>[Date]</p>
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# [FIRM] ORDER EXECUTION POLICY

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# CLIENT ORDER HANDLING AND BEST EXECUTION POLICY

## 1 BACKGROUND

[Full name of Firm] ([Abbreviated Firm Name]) is authorised by [the United Kingdom (UK) Financial Conduct Authority (FCA)] as a [Type of Firm Activity] to [Types of Client].

[The Firm] is authorised to invest in the Financial Instruments listed in Annex [●] of the Policy.

Where not immediately defined in the text, defined terms will have the meanings set out in Annex [●] of the Policy.

## 2 PURPOSE OF THE POLICY

This [The Firm] Client Order Handling and Best Execution Policy (**the Policy**) sets out [The Firm's] approach with regards to handling client orders and with regards to providing best execution (**Best Execution**), as required by the recast Markets in Financial Instruments Directive (2014/65/EU) (**MiFID II**) and implementing measures as transposed into national laws and regulations, [and the Financial Conduct Authority Conduct of Business Sourcebook (**COBS**)] for [List of Firm Entities] and their respective branches located within the European Union (**EU**).

The Policy sets out the information that must be provided to clients regarding the execution criteria and factors that [The Firm] must consider when trying to obtain the best possible results for those clients.

With regards to each class of Financial Instrument, the Policy sets out the main execution factors that [The Firm] will use in order to ensure it has taken all sufficient steps to obtain the best possible result for its clients on a consistent basis.

## 3 SCOPE OF THE POLICY

This Policy is only applicable in relation to Financial Instruments as defined by MiFID II, Annex I, Section C (**Financial Instruments**), reproduced in the Definitions section of this Policy.

The definition of Financial Instruments in MiFID II does not include spot FX and physical commodities.

[However, this Policy includes [spot FX], [loans, in respect of secondary market loan trading], and [physical commodities transactions that are ancillary to Financial Instruments].]

[The Firm's] obligations under this Policy are applicable to any relevant MiFID II business activity undertaken in Financial Instruments where:

- (1) [The Firm] accepts an order to execute a transaction on behalf of a client; and
- (2) the Financial Instrument has been admitted to trading on an EU regulated market (**EU RM**), whether or not the transaction is carried out on an EU RM.

The Best Execution requirements will also apply in circumstances where clients are **legitimately relying** on [The Firm] to protect their interests in relation to the pricing and other elements of the transaction – such as speed or likelihood of execution and settlement – that may be affected by the choices made by [The Firm] when executing the order.

This Policy also applies where an affiliate of [The Firm] (**Affiliate**) which is subject to MiFID II transmits an order on behalf of a professional client to [The Firm] for execution.

[The Policy may not apply to transactions which are only booked to [The Firm], but where the client-facing activities are carried on exclusively by employees, contractors, or agents of [The Firm]'s companies, or branches established outside the European Economic Area (EEA).

#### 4 TRADING SERVICES AND ACTIVITIES AND FINANCIAL INSTRUMENTS

[The Firm] provides the following trading services and activities regarding the Financial Instruments:

- (1) Reception and Transmission of Orders (RTO);
- (2) Execution of orders on behalf of clients; and
- (3) Dealing against own book.

#### 5 REVISED MARKETS IN FINANCIAL SERVICES DIRECTIVE AND BEST EXECUTION

The recast Markets in Financial Instruments Directive (2014/65/EU) (MiFID II) sets out the obligations for MiFID II authorised Investment Firms regarding 'Best Execution'.

##### 5.1 MiFID II Best Execution

Best Execution is a requirement for Investment Firms to obtain the best possible result for their clients when executing orders on their behalf.

##### 5.2 MiFID II Best Execution Factors

Under MiFID II Article 27, when executing orders [The Firm] is required to take **all sufficient steps** to obtain **the best possible result** for our clients. [The Firm] is not required to achieve the best price for every client order, but is required to achieve the best possible result that [The Firm] can reasonably be expected to achieve with the resources available to [The Firm]. In order to demonstrate Best Execution [The Firm] is required to take into account the following Best Execution Factors:

- (1) Price [(including incidence of price improvement)];
- (2) Costs [(in providing the total execution)];
- (3) Speed of execution of the order;
- (4) Likelihood of execution and settlement;
- (5) Size of the order;
- (6) Nature of the order; [and]
- (7) Any other consideration relevant to the [efficient] execution of the order. [; and]
- (8) [Market impact (or any other relevant peripheral consideration)];
- (9) [The impact of market prices of displaying and/or executing an order or part of an order];
- (10) [The availability of price improvement (the opportunity for an order to be executed at a better price than what is currently quoted publicly); and]

##### 5.3 MiFID II Best Execution Criteria

When executing client orders [The Firm] is required to take into account the following Best Execution Criteria for determining the relative importance of the Best Execution Factors:

[The Firm]'s clients can request a different classification, and [The Firm] may accept or refuse such request at its sole discretion.

[[The Firm] does not classify clients as Retail Clients owing to its specific business model.]

## 9 CLIENT BEST EXECUTION REQUIREMENTS

The Best Execution requirements are owed to [The Firm's]:

- (1) 'Retail Clients'; and
- (2) 'Professional Clients'.

### 9.2 Best Execution and Retail Clients

Retail Clients are always deemed to legitimately rely on [The Firm] to protect their interests. Where [The Firm] conducts business with a Retail Client [The Firm] will fulfil its Best Execution obligations to all classes of instrument, and notwithstanding the capacity in which [The Firm] is acting.

Where [The Firm] executes an order on behalf of a Retail Client, the best possible result is to be determined in terms of the **Total Consideration**.

Total Consideration includes both the price of the Financial Instrument and the costs relating to execution. This includes expenses incurred by the client directly relating to the execution of the order, as well as execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order. This will not include any commission or mark-up charged by [The Firm].<sup>3</sup>

### 9.3 Best Execution and Professional Clients

Where [The Firm] conducts business with Professional Clients, [The Firm] will fulfil its Best Execution obligations where:

- (1) [The Firm] has agency obligations with a client; or
- (2) [The Firm] has contractual obligations with a client; or
- (3) a client legitimately relies on [The Firm] to protect its interests.

[[The Firm] may also take into consideration the Professional Client's investment objective on a case by case basis when determining how to achieve the best outcome for your transaction. In such a case Total Consideration will no longer be the overriding factor]

### 9.4 Legitimate Reliance by Professional Clients (the Four-Fold Cumulative Test)

The following considerations, taken together cumulatively, will help to determine whether a Professional Client is legitimately relying on [The Firm] to protect its interest:

#### Which party initiates the transaction

- (1) whether [The Firm] approaches (initiates the transaction with) the Professional Client or the Professional Client instigates the transaction by making an approach to [The Firm]. In those cases where [The Firm] approaches a Professional Client and suggests the Professional Client to enter into a specific transaction, it is more probable that the Professional Client will be relying on [The Firm] to protect the Professional Client's interests in relation to the pricing and other elements of the transaction. [The Firm] may communicate trade ideas, relevant market opportunities or indicative prices to the Professional Client as part of its general relationship with its clients and [The Firm] does not consider that this means it will be deemed to have initiated the transaction;

[The Firm] is obliged to demonstrate that it has executed orders in accordance with the Policy upon the request of a client. If you require further information as to how [The Firm] has executed any orders in accordance with the Policy, please contact your relationship manager via the Contact Details specified at the end of this Policy.

Where a client believes that there are reasonable grounds to assert that Best Execution was not obtained, the client can make a written request for [The Firm] to provide evidence that Best Execution was obtained. Such evidence will include an analysis of the procedures that were used to select the particular execution venue, and any relevant data that can be used to reconstitute the trade information that was made available to [The Firm] at the relevant time of execution.

If you are not satisfied with the information provided to you on the quality of execution provided, please contact [The Firm]'s Compliance Department at the details provided below.

#### **[FIRM COMPLIANCE DEPARTMENT]**

ADDRESS : [Postal Address]

TELEPHONE : [Telephone]

EMAIL : [Email]

#### **17 CLIENT PROOF OF BEST EXECUTION CONTACT DETAILS**

ADDRESS : [Postal Address]

TELEPHONE : [Telephone]

EMAIL : [Email]

#### **18 NATIONAL AUTHORITIES PROOF OF BEST EXECUTION CONTACT DETAILS**

[The Firm] is obliged to demonstrate that it has executed orders in accordance with the Policy upon the request of an EU Member State National Competent Authority (**NCA**). If NCA requires further information as to how [The Firm] has executed any orders in accordance with the Policy, please contact [The Firm]'s Compliance Department with the contact details specified below.

ADDRESS : [Postal Address]

TELEPHONE : [Telephone]

EMAIL : [Email]

#### **19 AFFILIATE, BROKER, COUNTERPARTY, AND DEALER SELECTION AND MONITORING**

[The Firm] has selected Affiliates, Brokers, Counterparties, and Dealers that consistently provide a high quality execution service which takes account of relevant execution factors. Only approved Affiliates, Brokers, Counterparties, and Dealers are eligible for trading. A new Affiliate, Broker, Counterparty, and Dealer is required to be taken on and reviewed according to the [internal review processes]. All such approved Affiliates, Brokers, Counterparties, and Dealers will be listed in Affiliate, Broker, Counterparty, and Dealer lists.

##### **19.1 Affiliate, Broker, Counterparty, and Dealer Selection Criteria**

[The Firm] will at its discretion take into account any or all of the Selection Criteria which [The Firm] believes will enable it to determine whether the performance of an Affiliate, Broker, Counterparty, and



or Dealer will enable [The Firm] to meet on a consistent basis [The Firm]'s Best Execution obligations with regard to those orders executed on behalf of a client. The Selection Criteria consist of: (1) quantitative factors; (2) qualitative factors; and (3) technical factors.

#### **19.2 Quantitative Factors**

- (1) Price (including Explicit Transaction Costs (e.g. brokers fees, bid-ask spread, net price);
- (2) Other fees (e.g. stock exchange fees, stamp fees);
- (3) Implicit Transaction Costs (e.g. broker fees);
- (4) Market impact price momentum before and during order execution.

#### **19.3 Qualitative Factors**

- (1) Reliable execution (e.g. good quotes in according to the instructions);
- (2) Settlement performance;
- (3) Kind and quality of order confirmation (e.g. Information Technology generated electronic mail, Bloomberg messaging);
- (4) Quality of order execution services and other services (e.g. reliability, know-how, specialist knowledge, information filtration capabilities);
- (5) Experience in the relevant market;
- (6) Broker information offerings (e.g. broker recommendations, trade of ideas, order flow);
- (7) Company due diligence information (e.g. direct contact, road shows, conferences, events, marketing materials);
- (8) Financial Instrument specifics (e.g. servicing banks, liquidity, order status).

#### **19.4 Technical Factors**

- (1) Accessibility to the relevant market;
- (2) Range of trading platforms available; and
- (3) Automated communication (e.g. confirmations, SWIFT).

#### **19.5 Review of Affiliates, Brokers, Counterparties, and Dealers**

[The Firm] will review its choice of Affiliates, Brokers, Counterparties, and Dealers on a regular basis in order to ensure that, taking into account the quantitative, qualitative, and technical factors specified above, they provide Best Execution on a consistent basis. This [may]/[will] include conducting reviews of:

- (1) the prices that are offered for a particular type of Financial Instrument over time;
- (2) average costs per trade charged for the type of trade over time;
- (3) the Best Execution policy of the relevant Affiliate, Broker, Counterparty, and Dealer from time to time.