



**EXOTIX LTD**  
**Execution and Order Handling Policy**

**This Execution and Order Handling Policy applies to brokerage services provided to you by Exotix Ltd (the "Broker"). This Policy should be read in conjunction with the Broker's standard terms of business.**

**The policy sets out the arrangements Exotix has in place to meet its obligations under the Markets in Financial Instruments Directive (MiFID) to give best execution to Professional Clients and to comply with the client order handling rules. The MiFID best execution regime requires us to take all reasonable steps to obtain the best overall trading result for our Customers, taking into account the execution factors and any other consideration relevant to the execution of the order regardless whether we are executing orders on behalf of Customers, placing orders with, or passing orders, to others for execution.**

**Introduction**

When providing a brokerage service to you in relation to the financial instruments set out in Annex 1 (the "**Financial Instruments**"), the Broker will take reasonable steps to achieve the best overall trading result for you. This means that the Broker will aim to provide "best execution" subject to and taking into account the nature of your orders, the prices available to the Broker in the market, the nature of the market in question and a reasonable assessment of any overlapping and conflicting execution factors (which are detailed below).

The Broker's intention, so far as possible, is to exercise consistent standards and operate the same processes across all markets, clients and Financial Instruments in which the Broker operates. The Broker also intends to provide you and other market participants with access (where possible) to tradable prices on a non-discriminatory basis. However, the diversity in those markets and instruments, the Broker's knowledge of your own trading intentions, and the kind of orders that you may place, mean that different factors will have to be taken into account in relation to any particular transaction.

Further details on the nature of the service the Broker, as an Inter-Dealer Broker (IDB), provides to its clients can be found at:

[http://www.wmba.org.uk/execution\\_policy/annex\\_2.doc](http://www.wmba.org.uk/execution_policy/annex_2.doc)

**Exemptions from the provision of Best Execution**

Notwithstanding the intentions expressed above, the Broker does not undertake to provide "best execution" in the following circumstances:

**Eligible Counterparties**

- If you are classified as an Eligible Counterparty you will not be entitled to best execution under the UK Financial Services Authority ("FSA"), or equivalent EU rules. This is in line with Article 24 of MiFID which provides that the best execution obligation under Article 21 will not apply.

**Market Practices**

- In the wholesale over the counter (OTC) derivatives and bond markets (and for the avoidance of doubt, this includes derivatives in Bonds, Currencies, Equities, Energy and Commodities) in which the Broker operates it is normal market practice for buyers and sellers to "shop around" by approaching several brokers/dealers for a quote. This market practice of the Broker quoting on a "request for quote" basis is recognised by the

European Commission. In these circumstances there is no expectation between the parties that the broker/dealer chosen will owe best execution.

As a sophisticated participant in the wholesale markets, unless you advise us to the contrary we will assume that this is your normal trading behaviour.

#### Transactions arranged in a name-passing capacity

- Brokers acting in a name-passing capacity are receivers and transmitters of orders but in carrying out their activities they do not receive and transmit orders for execution. Where orders are not transmitted for execution, the requirement to provide best execution will not apply. For further details please refer to the WMBA guidance document titled, "The Role of the Name-Passing Broker" which can be found at:

[http://www.wmba.org.uk/execution\\_policy/role\\_of\\_name\\_passing\\_broker.doc](http://www.wmba.org.uk/execution_policy/role_of_name_passing_broker.doc)

#### Client Instructions

- Where you provide the Broker with a specific instruction in relation to your entire order, or any particular aspect of your order, including an instruction for your trade to be executed on a particular venue, the Broker will execute the order in accordance with your instructions. However, please note that in following your instructions, the Broker will be deemed to have taken all reasonable steps to provide the best possible result for you in respect of the order, or aspect of the order, covered by your specific instructions.

Note that when you give an offer, take a bid or place an order on a multilateral trading facility (MTF), the best execution provisions of MiFID will not apply to the operator of the MTF and these obligations will fall on the user of the system. Your order will be classified as a specific instruction and hence the best execution provisions of MiFID will not apply.

#### Clients

Except in exceptional circumstances, the Broker will only deal with Eligible Counterparties and Professional Clients as defined in MiFID and by the FSA.

Because the Broker always intends to handle orders and expressions of interest in an equitable and consistent manner, once a client is classified as an Eligible Counterparty for the purposes of a particular Financial Instrument, that client may not then elect to be re-classified for the purposes of any transaction of a type it customarily undertakes in that particular Financial Instrument. Exceptional circumstances may be taken into account at the time, with the consent of the Broker (the Broker may decline to provide a service should a reclassification be requested).

#### Execution Venues

This Execution Policy sets out the venues on which the Broker will most regularly seek to execute your orders and which the Broker believes offer the best prospects for achieving the best possible results for you, taking into account the execution factors detailed below.

The Broker is able to transact trades on your behalf on any of the following execution venues:

- The Broker's customer base in the OTC markets;
- Any MTF operated by the Broker or to which the Broker subscribes to from time to time;

When selecting the venue on which to transact trades, the Broker will take reasonable measures to ensure that the selected venue obtains the best possible trading result for its clients, subject to the following factors:

- In the OTC markets in which the Broker operates it can only give clients visibility to prices that have been communicated to the Broker by other clients that operate in the same market. Accordingly any "best outcome" will solely be within these limits;

- The Broker will provide details of all tradable bids and offers (subject to the other matters referred to below);
- Time availability of prices – in many markets there are lulls and spikes in trading as negotiations align trading interests at different times and different parts of the curve. Accordingly the “last traded” price may not always be available or act as a reliable indicator of current price;
- The Broker cannot allow clients to trade in a market unless it is reasonably satisfied that the client (via an agent or otherwise) is operationally capable of settling the relevant trade;
- The Broker cannot control either the cost of credit (credit premium) or credit acceptance between its clients;
- Rates of brokerage will vary between clients, based on agreements and levels of activity.

### **Execution Factors**

In the absence of express instructions from you, the Broker will exercise its own discretion in determining the factors that the Broker needs to take into account for the purpose of providing you with the best possible result.

These execution factors in the wholesale markets in which the Broker operates will include, but are not restricted to, the:

- classification of the client;
- size, nature and characteristic of the order;
- likelihood and speed of execution;
- price and costs of execution; and
- exchange settled block trades, or positions larger than standard market size, may be crossed at a particular stage in the trading day, or kept anonymous to the majority of market participants; unless otherwise directed, the Broker will only show the price and size to parties that it believes may have an interest in executing or crossing such a position.

### **Monitoring and review**

The Broker will monitor the effectiveness of its order execution arrangements and order execution policy in order to identify and, where appropriate, incorporate any amendments to procedures. The Broker will assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for its clients or whether the Broker needs to make changes to its execution arrangements. The Broker will review its order execution arrangements and order execution policy at least annually or whenever a material change occurs that affects its ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the venues included in its order execution policy. The Broker will notify you of any material changes to its order execution arrangements or order execution policy as described above by posting the information on the Broker’s website.

### **No Fiduciary Relationship**

The Broker’s commitment to provide you with “best execution” does not mean that it owes you any fiduciary responsibilities over and above the specific regulatory obligations placed upon it or as may be otherwise contracted between the Broker and yourself. You remain responsible for your own investment decisions and the Broker will not be responsible for any market or trading loss you suffer as a result of those decisions.

## Annex 1

### **Financial Instruments As Defined by MiFID**

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings;
- (4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
- (6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF;
- (7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
- (8) Derivative instruments for the transfer of credit risk;
- (9) Financial contracts for differences; and
- (10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.