

GFFM ORDER EXECUTION POLICY

(Document updated in April 2019)

1 - Introduction

This Policy summarises the general basis on which GF Financial Markets (UK) Limited (we refer to ourselves in this Policy as “we” or “us” or “our” or “GFFM”) will provide “best execution” when required by the European Union’s Markets in Financial Instruments Directive II (known as “MiFID II”) and by the rules, guidance, principles and codes in the Handbook of Rules and Guidance issued by the UK Financial Conduct Authority or any successor regulatory body or bodies (the “FCA”).

GFFM is required to implement an order execution policy and must take all sufficient measures to obtain the best possible result for clients when:

- executing orders, or
- receiving and transmitting orders.

For that purpose, GFFM has set up and implemented an order execution policy for its brokerage activities in order to obtain the best possible result when executing orders for its clients. For each category of financial instrument, the order execution policy includes information on the different venues where GFFM executes its client’s orders and the factors affecting the choice of execution venue. It includes the venues allowing GFFM to obtain on a regular basis the best possible result for the execution of client’s orders.

The execution policy applies to all financial instruments covered by the regulations (see annex).

We will consider the continued placement of orders by you to constitute your continued consent to our Order Execution Policy as in effect from time to time.

2 - Principle of “Best Execution”

- GFFM have established this Policy that is designed to achieve the best possible result (taking into account all relevant factors described below) across all orders on a consistent basis, for any financial instrument covered by MiFID II when placing the orders for execution with execution venues identified in this Policy.
- That GFFM are committed to comply with the Policy.
- That GFFM will take steps to monitor, review and update the Policy to ensure that it continues to achieve such results.
- Complying with our best execution obligations under MiFID II does not involve a transaction by transaction analysis. Instead, GFFM are required to take all sufficient steps to obtain the best result overall when executing orders on your behalf having regard to the execution factors set out in MiFID 2 and the applicable FCA rules.

2.1 The criteria for executing an order are:

- the price,

- the cost,
- the speed of execution,
- the probability of execution and settlement/delivery,
- the size of the order,
- the nature of the order,
- type and characteristics of financial instrument;
- characteristics of the possible execution venues; and
- any other factors considered for its execution.

While total price and costs are generally key factors, the overall value to you of a particular transaction may be affected by the other factors listed above. We may conclude that factors other than price and costs are more important in achieving the best possible result for you. The relative importance of each of the factors will differ depending on:

- your categorisation as client; any special objectives you may have in relation to the execution of the order;
- the characteristics of your order;
- the characteristics of the financial instruments to which your order relates; and
- the characteristics of the venues (if there is more than one) to which your order may be directed.

GFFM selects the execution venue from those in the following list for each type of financial instrument in order to obtain “Best Execution” and reserves the right to consider any other execution venue when judged appropriate to do so.

Execution venues

- Regulated markets;
- GFFM’s own account;
- Multilateral Trading Facilities (MTF);
- Organised Trading Facilities (OFT);
- GFFM’s third party investment firms or subsidiaries, located in, or outside of, the European Economic Area.

GFFM will publish top five execution venues in terms of trading volumes for all executed client orders per class of financial instruments on the annual basis, information regarding clients shall be published on our website available for downloading by the public in the format set out in Table 1 of Annex, for a comprehensive list of the execution venues, see the annex.

GFFM will publish for each class of financial instruments, a summary of the analysis and conclusions they draw from their detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year on our website in an electronic format available for downloading by the public.

GFFM will not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements.

GFFM will notify clients with whom GFFM have an ongoing client relationship of any material changes to their order execution arrangements or execution policy.

2.3 What is our responsibility when your order is executed for us by a third party?

We may pass an order to a non-affiliated third party broker or dealer to execute your order. In respect of such cases, we will have internal processes and procedures in place to review periodically our choice of third party brokers and dealers to determine that, taking into account all the factors specified above, the third party broker or dealer is providing the best results for your orders on a consistent basis. In making this determination we will consider:

- prices offered for the particular type of instrument over time;
- average costs per trade charged for the type of trade over time;
- the best execution policy of, and any other guidance issued by, the relevant broker or dealer from time to time.

3 – Cases where “Best Execution” does not apply

3.1 The “Best Execution” obligation does not apply when GFFM does not execute an order on a client’s account but carries out transactions with its clients on the basis of prices it proposed. This may be either in the form of published quotations or in response to a “request for a quote”. In such cases, the transaction is carried out on the basis of prices proposed by GFFM and accepted by the client. Prices proposed by GFFM are based on GFFM’s market data, valuations and analysis, especially within the field of risk management. Acting as the client’s counterparty, GFFM does not take the place of its client regarding the assessment of the most appropriate way to conduct a transaction.

3.2 Specific instructions

Any specific request made by a client regarding the order’s rate, venue or nature is considered by GFFM as a specific instruction. When accepting to carry out an order, GFFM executes it in accordance with the client’s specific instruction(s).

Pursuant to the regulations in force, in the event of specific instructions issued by the client, GFFM may not be able to satisfy these instructions within the framework of its best execution policy. Nonetheless, “Best Execution” may apply to the characteristics of the order which are not covered by the client’s specific instructions.

The financial instruments regulated under MiFID II include most types of financial instruments, but do not include spot foreign currency exchange transactions; and spot commodity derivative transactions. The Policy applies to all transactions we arrange or execute on your behalf, whether arranged or executed through affiliated companies or otherwise.

3.3 The Best Execution obligation does not apply to Eligible Counterparties. MiFID II extend some investor protection to eligible counterparties. GFFM can provide execution reports when we execute the orders for eligible counterparties. GFFM can make agreement with eligible counterparties for the content and timing of execution reports.

GFFM will provide certain information (i.e. cost of charge) to Eligible Counterparties when we execute the order for eligible counterparties.

4 - Cases where the “Best Execution” obligation applies

A - Derivatives brokerage activities

For these activities, the execution policy applies to the following financial instruments:

- Listed derivatives traded on regulated markets (including equity options, index options and futures)
- OTC options look-a-like listed options
- Exotic derivatives (e.g. barrier, digital etc.) brokered by GFFM are treated as a "Request For Quote" service (i.e. GFFM provides the price and does not act on behalf of the client – see § 3.1). In this case, GFFM is not subject to Best Execution requirements.

In the specific case of options traded with hedging, the hedged portion is not subject to Best Execution requirements as the parameters of this hedging are determined in advance (reference price and delta).

A.1- Listed derivatives

A.1.1. “Best Execution” criteria

GFFM will assess the level of importance of the “Best Execution” factors, i.e. price, costs, speed, probability of execution, size and nature of the order based on its commercial experience, market information available at the time of execution, and the following criteria: client’s instructions, type of order, financial instrument concerned and possible execution venues.

A.1.2. Selection of the execution venues

To meet the “Best Execution” requirements, GFFM selects the execution venues which offer the best liquidity/price ratio on a long-term basis.

These are mainly external execution venues:

- the regulated markets of which GFFM is a member;
- the regulated markets of which GFFM is not a member but to which it has access via local brokers subject to a “Best Selection” procedure (see paragraph A.1.3).

Occasionally, in order to ensure “Best Execution” for the client, all, or part, of the client's order may be executed by internal matching with the orders of another client(s).

A.1.3. Selection of local brokers

On the markets of which GFFM is not a member and for all financial instruments listed above, GFFM selects local brokers who provide the best overall execution service. GFFM takes into account the following criteria:

- the total price of the transaction (including the settlement/delivery costs if required);
- the broker’s financial soundness;
- the quality of Middle Office/Back Office support;
- the client/Back Office/Middle Office feedback.

A.1.4. Measures to ensure “Best Execution”

GFFM will take all appropriate measures to execute orders in the client’s best interests, unless otherwise specified by the client.

A.1.5. Evidence of “Best Execution”

GFFM can provide the client upon request with supporting evidence of the means used to obtain “Best Execution” of the order executed on the client’s behalf.

GFFM will provide the supporting evidence of means used to obtain “Best Execution” of the order executed to relevant authorities/regulators upon request.

A.2- OTC Options

A.2.1. “Best Execution” criteria

GFFM uses the following Best Execution criteria for "look-a-like" OTC products:

- the total cost,
- the order’s size,
- the order’s nature,
- the liquidity of the underlying domestic market.

A.2.2. Selection of the execution venues

Upon receipt of a client order, GFFM seeks to obtain the best possible result on the basis of the criteria defined above. GFFM offers the client the option of going to an OTC market or a listed regulated market in order to achieve this.

At the time of the transaction’s closing, the characteristics of the transaction are reviewed with the client, in particular the choice of execution market (OTC or listed regulated market). The client will approve the execution market proposed by GFFM.

A.2.3. Measures to ensure “Best Execution”

On OTC markets, GFFM ensures “Best Execution” of the client’s order by questioning at least two counterparties. Counterparties offers are compared with offers available on regulated markets. The best price obtained is then proposed to the client.

A.2.4. Evidence of “Best Execution”

GFFM can provide the client upon request with supporting evidence of the means used to obtain “Best Execution” of the order executed on the client’s behalf.

GFFM will also provide to the competent authority the supporting evidence used to obtain “Best Execution” should the competent authority require this.

ANNEX TO THE GFFM EXECUTION POLICY

(Document updated in November 2017)

FINANCIAL INSTRUMENTS

The definition of financial instruments includes financial securities and financial contracts.

Financial securities are:

- securities (equities, bonds);
- money market instruments: includes instruments usually traded on the money markets such as Treasury bills, deposit certificates and commercial paper (except the payment instruments);
- units in collective investment undertakings.

Financial contracts are:

- options, futures, swaps, forward rate agreements and any other derivatives contract relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which can be settled in cash or by physical delivery;
- options, futures, swaps, forward rate agreements and any other derivatives contract relating to commodities which must be settled in cash or can be settled in cash at the request of one of the parties;
- options, futures, swaps, forward rate agreements and any other derivatives contract relating to commodities which can be physically settled, provided that they are traded on a regulated market and/or an MTF;
- options, futures, swaps, forward rate agreements and any other derivatives contract relating to commodities which can be physically settled, are not meant for commercial purposes and have the characteristics of other derivative financial instruments. They are cleared and settled by recognised clearing institutions or subject to regular calls for margin;
- derivative instruments used for the transfer of credit risk;
- financial contracts for differences;
- options, futures, swaps, forward rate agreements and any other derivatives contract relating to climate variables, freight rates, emission or inflation rates permit or other official economic statistics which must be settled in cash or can be settled in cash at the request of one of the parties. Also, any other derivative contracts relating to assets, rights, bonds, indices and financial measures not previously mentioned which have the characteristics of other derivative financial instruments, are traded on a regulated market or an MTF and cleared and settled by recognised clearing institutions or subject to regular calls for margin.

Regulated market

A multilateral system, run and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments (in the system and in accordance with its rules) in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and systems, and which is authorised and functions regularly and in accordance with the applicable provisions.

Multilateral Trading Facilities (MTF)

A multilateral system without the status of a regulated market which brings together multiple third-party buying and selling interests in financial instruments (in the system and in accordance with its rules) in

a way that results in transactions concerning these instruments. It may be managed by an investment services provider approved to operate a system of this kind or by a market operator with relevant authorisation from a regulatory body.

Organised Trading Facilities (OTF)

An Organised Trading Facility (OTF) is a multilateral system, which is not a regulated market or MTF and in which multiple third party buying and selling interests in bonds, structured finance product, emissions allowances or derivatives are able to interact in the system in a way which results in a contract.

List of the execution venues

- ICE Futures Europe (includes IFEU and IFLX)
- ICE Futures US *
- London Metal Exchange (LME)
- Chicago Mercantile Exchange (CME) – CBOT, NYMEX, COMEX *
- Hong Kong Exchange (HKEx) *
- Singapore Exchange (SGX)*
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*= provided through local brokers

Top Five Execution Venues by Instrument Class

Class of Instrument		Commodities Derivatives		
Notification if < 1 average trade per business day in the previous year		No		
Top five execution venues ranked in terms of trading volumes (descending order)				
Rank	Name	MIC	Proportion of volume traded as a percentage of total in that class	Percentage of directed orders
1	London Metal Exchange	XLME	62.21%	100%
2	ICE Futures Europe	IFEU	18.10%	100%
3	Commodities Exchange Centre	XCEC	9.30%	100%
4	Singapore Exchange	XSES	5.56%	100%
5	New York Mercantile Exchange	XNYM	4.49%	100%

Class of Instrument		Currency Derivatives		
Notification if < 1 average trade per business day in the previous year		No		
Top five execution venues ranked in terms of trading volumes (descending order)				
Rank	Name	MIC	Proportion of volume traded as a percentage of total in that class	Percentage of directed orders
1	Singapore Exchange	XSES	81.03%	100%
2	Hong Kong Futures Exchange	XHKF	15.56%	100%
3	Chicago Mercantile Exchange	XCME	3.41%	100%
4	N/A			
5	N/A			

Class of Instrument		Equity Derivatives		
Notification if < 1 average trade per business day in the previous year		No		
Top five execution venues ranked in terms of trading volumes (descending order)				
Rank	Name	MIC	Proportion of volume traded as a percentage of total in that class	Percentage of directed orders
1	Chicago Mercantile Exchange	XCME	90.22%	100%
2	ICE Futures U.S.	IFUS	9.78%	100%
3	N/A			
4	N/A			
5	N/A			