



## ORDER EXECUTION POLICY

### 1. Introduction

This document explains Sucden Financial Limited's ("SFL") approach to providing Best Execution in accordance with the regulatory requirements set out in Chapter 11 of the Financial Conduct Authority's ("FCA") Conduct of Business Sourcebook ("COBS 11") and the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II").

Best Execution is the term used to describe the obligation to ensure that all sufficient steps are taken to achieve the most favourable terms for the client, when either executing trades or passing orders to be executed. To do this, firms should take into account execution factors such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

Aside from the explicit Best Execution rules explained in this policy, we have an overriding duty to act honestly, fairly and professionally in accordance with the best interests of our clients. It is under this duty that, even for activities or products that are technically outside of the Best Execution regime, we always endeavour to act in the best interests of our clients.

### 2. Scope

SFL does not provide investment services to retail clients.

SFL will apply Best Execution to transactions with Professional Clients dealing in Financial Instruments where it accepts an order or where it has expressly agreed to provide Best Execution.

This policy does not apply to Eligible Counterparties; accordingly, we will not owe Best Execution in transactions entered into with Eligible Counterparties. However, this does not diminish SFL's obligation to act honestly, fairly and professionally and to communicate in a way that is fair, clear and not misleading when dealing with Eligible Counterparties.

#### Specific Instructions

Specific Instructions from a client may prevent SFL from taking certain steps set out in this Policy that have been designed to achieve the most favourable terms for the client; but only in relation to the parameters of the trade that those specific instructions cover.

#### Direct Electronic Access ("DEA")

DEA means an arrangement where SFL permits a client to use its trading code so the person can electronically transmit orders relating to a financial instrument directly to the trading venue. There are two types of DEA: (i) arrangements which involve the client using a connecting system provided by SFL to transmit orders ("Direct Market Access"); and (ii) arrangements which involve the client transmitting orders direct to the exchange under SFL's trading ID without using a connecting system provided by SFL ("Sponsored Access"). Where client orders have been submitted via DEA, they will be deemed to have been executed in line with clients' specific instructions.

### **3. How SFL determines whether Best Execution is owed**

#### Executing orders on behalf of clients

When SFL executes orders on behalf of clients on a 'matched principal' basis, it will be acting on the client's behalf and as such Best Execution will apply. 'Matched principal trading' means a transaction where SFL interposes itself between the buyer and the seller to the transaction in such a way that it is never exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where SFL makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction.

#### Dealing on own account or acting as principal

SFL may also deal as principal with the client, for example where the client has accepted a quote provided by SFL. For quote driven activity conducted with Professional Clients the presumption is that there is no legitimate reliance from the client for SFL to provide Best Execution. The quotes given are SFL's prices and are not necessarily representative of the best prices in the market. However, SFL will consider whether there are any situations where a client may be placing a legitimate reliance on SFL for Best Execution by considering the following factors:

- which party has initiated the transaction – where the client initiates the transaction, they are less likely to be placing reliance on SFL;
- whether there is a market convention to shop around – if market practice is to obtain quotes from various sources then there is less reliance on SFL for the pricing and other elements of the transaction;
- the relative levels of transparency within a market - if SFL has ready access to prices in the market in which it operates, whereas the client does not, it is more likely that the client will be placing reliance on SFL, whereas if SFL's access to pricing transparency is broadly equivalent, it is less likely that the client will be placing reliance on SFL; and
- the information provided by SFL and any agreement between SFL and the client – in circumstances where SFL's terms of business or this policy state that SFL will not provide Best Execution, the client is less likely to place reliance on SFL.

These considerations have been referred to by the FCA as the four-fold legitimate reliance test. If the client is deemed to be placing legitimate reliance on SFL after considering the factors above, this policy will be applied to the relevant quotes accepted by clients.

### **4. Best Execution scenario analysis**

#### OTC foreign exchange, bullion and index CFDs via an e-trading platform

SFL acts as principal in these markets and the price that a client sees on an e-trading platform is SFL's price. Whilst SFL acts as principal in respect of client orders, it uses the pricing available to it from liquidity providers for the hedging of client contracts in order to determine the price that SFL is prepared to quote on a client's e-trading platform. SFL will hedge a client contract with its liquidity providers and this may impact the price of a client's order accordingly. SFL has a robust liquidity provider selection process to ensure that the prices from which it calculates its own pricing are achieving the best possible result for its clients. The factors assessed include:

- price (competitive spreads);
- likelihood of execution (depth of liquidity and fill ratio);
- counterparty response time;
- size and creditworthiness of our counterparty; and
- consideration for service; including trading hours and number of instruments.

The list above is not exhaustive; SFL will also consider any other factor that it deems to be relevant to the Best Execution of client orders.

### OTC foreign exchange via telephone, instant message or email

For quote driven activity conducted with Professional Clients the presumption is that there is no legitimate reliance from the client for SFL to provide Best Execution. This is the primary transaction scenario in foreign exchange and based on industry practice, professional clients will generally pass the four fold test. However, where a professional client places an order (e.g. market or limit) by telephone, instant message or email this policy will apply. This section applies to foreign exchange spot, forward and option transactions.

### Soft commodities

SFL is limited in its choice of Execution Venue for futures and options on soft commodities as most futures are only listed on a single exchange. SFL will prioritise two execution factors above all others for these orders: (i) best price; and (ii) speed of execution. Futures are traded on-exchange. SFL will only use a third-party broker to trade options if it can give a better price than they can see is available on-exchange, and where the benefit of the improved price is judged to be more significant than the cost of the delay in execution caused by using a broker. SFL will not take the cost of using a broker into account because this cost is not passed on to the client. Where a professional client requests a quote for a soft commodity option from SFL, they will not be deemed to place significant reliance on SFL because of the high levels of transparency available to the majority of clients. SFL does not encourage "at best" orders.

### Base metals

SFL is limited in its choice of Execution Venues due to the nature of the base metal contracts it trades. Electronic LME exchange trading is conducted on LMESelect and trading is anonymous. Open-outcry trading is done in the LME ring and SFL is restricted to trading with other category one LME members for these transactions. Where client orders have been submitted via DEA, they will be deemed to have been executed in line with clients' specific instructions. Where a professional client requests a quote for a base metal order from SFL, they will not be deemed to place significant reliance on SFL because of the high levels of market transparency available to the majority of clients.

### Fixed income

SFL executes fixed income cash products on a request for quote principal to principal basis. For such cash bond markets, it is market convention to shop around prior to execution and clients would not be deemed to place significant reliance on SFL because of the high levels of transparency available to the market.

Where SFL executes orders in exchange traded derivatives on a principal to principal basis, a professional client would be deemed to be placing a legitimate reliance on SFL and Best Execution will apply.

### Equities

SFL executes cash equities for Eligible Counterparties and Professional Clients. A client always initiates the transaction and provides specific instructions covering the price and volume to be traded. SFL then quotes the price and volumes to its equities client base to determine whether sufficient interest exists to enable SFL to execute the trade. For quote driven activity the presumption is that there is no legitimate reliance from the client for SFL to provide Best Execution. The second client must agree to the quoted price before a trade is executed.

### Price slippage

Market volatility may result in the price of a Financial Instrument moving significantly from the time you place an order to the time of order execution. We will endeavour to reflect such price movements, whether positive or negative, in the price provided to you.

## 5. Execution Venue selection

Execution Venue is the term used to describe the Regulated Market, Multilateral Trading Facility (“MTF”), Systematic Internaliser and any other Liquidity Provider where SFL executes an order on behalf of a client. A list of the Execution Venues used by SFL can be found in Annex 2. In selecting the appropriate Execution Venue for a specific transaction, SFL will consider the following execution factors:

- available price in the market;
- transaction costs (including commission, execution, clearing and settlement costs);
- speed of execution;
- the likelihood of execution and settlement (depending on liquidity in the particular market);
- the size and nature of the transaction; and
- Any other consideration that SFL deems to be relevant to the execution of that transaction.

SFL takes into account the following criteria when determining the relative importance of the abovementioned execution factors:

- characteristics of the client;
- characteristics of the client’s order (e.g. market, limit, stop);
- characteristics of the financial instrument(s) (e.g. commodity, currency, fixed income, equity);
- characteristics of the Execution Venues to which the order can be directed.

In general, SFL regards price as being the most important execution factor when seeking to obtain the best possible outcome for clients. However, in certain circumstances SFL may decide in its absolute discretion that the other factors mentioned above are more important than price.

SFL’s choice of venue may be constrained by the fact that there may be only one venue where an order can be executed due to the nature of the client’s order or requirements.

SFL may execute orders internally. These orders will only be internalised when it is determined, in accordance with this policy and taking into account potential conflicts of interest, that SFL is the appropriate Execution Venue. Orders will be internalised when, after consideration of the execution factors, SFL’s internal execution is expected to provide the best result for the client.

### Execution Venue and counterparty monitoring

SFL regularly assesses whether the Execution Venues it accesses, and the counterparties to whom SFL transmits client orders, continue to provide the best possible outcome for clients.

The following factors are assessed during the selection of a new venue or counterparty:

- type of execution service;
- type of instruments executed by the venue or counterparty;
- details of any liquidity analysis undertaken;
- explicit and implicit costs of execution;
- details of any comparison against other venues and counterparties;
- SFL’s ability to monitor the delivery of Best Execution; and
- whether any inducement has been offered to SFL during the period of selection.

The following factors are assessed during the monitoring of an existing venue or counterparty:

- details of any complaints regarding the quality of execution by the venue or counterparty;
- details of any monitoring against other venues, counterparties or appropriate benchmarks;
- details of any changes in the agreed remuneration structure; and
- details of any changes to the costs of execution.

## 6. Execution fee determination

SFL will provide clients with a single “all-in” price that includes:

- the price of the financial instrument (including any bid/offer spread);
- the execution costs (including venue fees, clearing and settlement fees and other fees paid to third parties involved in the execution of the transaction); and
- any commission or mark-up charged by SFL

The commission or mark-up charged by SFL may take into account any of the following factors:

- the type of client (institutional, producer, consumer);
- the level of service required;
- the frequency of trading;
- the source and type of trade flow;
- the client’s credit line requirements;
- the client’s margin requirements;
- the client’s pricing requirements; and
- the technology required.

SFL will provide clients with a breakdown of the costs and fees associated with a given transaction upon request.

## 7. Prohibited practices

SFL must not receive any remuneration, discount or non-monetary benefit for routing orders to a particular Execution Venue as this could give rise to a conflict of interest between the benefit received by SFL and its obligation to achieve the most favourable terms for the client.

## 8. Monitoring

### i. First line of defence

The trading desk is SFL’s first line of defence and each desk is responsible for monitoring the performance of their Execution Venues. Each desk follows the procedure set out in this policy for selecting and monitoring the performance of Execution Venues and counterparties.

### ii. Second line of defence

The Audit and Compliance Committee is SFL’s second line of defence and oversees the following monitoring programme:

- electronic monitoring – an automated surveillance system will identify situations where the house trades ahead of a client at the same or better price. The compliance department will investigate these alerts to determine whether or not the client received Best Execution;
- manual trade sampling – trades will be selected at random and assessed to determine whether or not the client has received Best Execution;
- Execution Venue reviews – a member of the compliance department will periodically assess the Execution Venue reviews completed by each desk to ensure they are adhering to the requirements set out in this policy.

### iii. Third line of defence

The final defence of this policy comes from the senior management team, specifically the officer responsible for Best Execution requirements. The officer ensures that each desk is evaluating its execution arrangements in line with this policy and challenges those evaluations when it is required.

The officer responsible for Best Execution also challenges the Audit and Compliance Committee to ensure it is conducting the monitoring described in 8(ii) above.

## 9. Review of policy

SFL will review this policy annually, or whenever there is a Material Change that affects SFL's ability to achieve Best Execution for its clients or adhere to any other aspect of this policy. A change is material where its disclosure is necessary to enable the client to make a properly informed decision about whether to continue utilising the services of the firm. Examples of a Material Change would include, but are not limited to: (i) a change to SFL's business model; (ii) the introduction of a new product range; (iii) the introduction or withdrawal of a trading desk; or (iv) the implementation of a new trading platform.

## 10. Demonstrating best execution

Clients have the right to request a Transaction Cost Analysis ("TCA") which is a written explanation of how your trade met our Best Execution policy. Where SFL receives such a request it will endeavour to respond within 20 business days.

## 11. Significant definitions

**Best Execution** is the term used to describe the obligation to ensure that all reasonable steps are taken to achieve the most favourable terms for the client, when either executing trades or passing orders to be executed.

**Eligible Counterparties** means investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, and other financial institutions authorised or regulated under Community legislation or the national law of a Member State as described in COBS 3.6.

**Execution Venue** is the term used to describe the Regulated Market, MTF, Systematic Internaliser, OTF or any other Liquidity Provider where SFL executes an order on behalf of a client.

**Financial Instruments** means the instruments listed in Appendix 1.

**Liquidity Provider** means an institution which acts as a market maker in a given financial instrument.

**Material Change** means a change where its disclosure is necessary to enable the client to make a properly informed decision about whether to continue utilising the services of the firm.

**MTF** means a multilateral system, operated by an investment firm or a market operator, and which brings together multiple third-party buying and selling interests in financial instruments - in the system and in accordance with non-discretionary rules - in a way that results in a contract.

**OTF** means a multilateral system that is not a RM or MTF

**Professional Clients** means any natural or legal person that meets the criteria laid down in COBS 3.5.

**Regulated Market** a multilateral system operated by 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 nondiscretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID II.

**Retail Clients** means a client who is not a Professional Client or an Eligible Counterparty

**Specific Instructions** means an instruction in relation to an entire order, or any particular aspect of an order, including selecting to execute on a particular venue.

**Systematic Internaliser** means an investment firm which, on an organised, frequent and systematic basis, deals on its own account by executing client orders outside a regulated market or MTF.

## **Appendix 1**

### **Financial Instruments within scope of this policy**

The Best Execution obligation applies to the following Financial Instruments as defined in MiFID:

- transferable securities, including:
  - (a) shares in companies or other securities equivalent to shares in companies or other entities, including depository receipts in respect of shares;
  - (b) bonds or other forms of securitised debt, including depository receipts in respect of such securities, and
  - (c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices;
- money-market instruments, including treasury bills, commercial paper and certificates of deposit;
- units in collective investment undertakings;
- derivatives relating to securities, equities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures;
- cash settled derivatives relating to commodities;
- derivatives relating to commodities that can be physically settled provided that they are traded on a regulated market or MTF;
- credit derivatives;
- financial contracts for differences; and
- derivatives over climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics or other assets, rights, obligations, indices and measures.

### **Best Execution does not apply to the following (non-exhaustively):**

- **spot foreign exchange and commodity transactions;**
- **loans and deposits;**
- **commodity derivatives that can only be physically settled and are not traded on a regulated market or MTF, and other derivatives which are for commercial purposes which do not comply with particular criteria (such as derivatives on emission allowances not traded on a regulated market nor cleared through a central clearing house and for which there are no regular margin calls); and**
- **exercise and assignment of options.**



## **Appendix 2**

### **Execution Venues**

London Metal Exchange  
Bursa Malaysia  
Chicago Mercantile Exchange  
COMEX  
Dubai Gold & Commodities Exchange  
New York Mercantile Exchange  
ICE Futures Europe  
ICE Futures US  
Eurex  
Chicago Board of Trade  
Singapore Exchange  
Hong Kong Exchanges and Clearing  
Tokyo Commodity Exchange  
Australia ASX 24  
Canadian Derivatives Exchange  
Chicago Board of Trade  
Chicago Mercantile Exchange  
Eris Exchange  
Eurex  
Hong Kong Futures Exchange  
ICE Futures Europe  
ICE Futures US  
Italian Derivatives Market  
MEFF Derivatives Exchange  
New York Mercantile Exchange  
OMX Nordic Derivatives Exchange  
Osaka Stock Exchange  
Singapore Exchange  
Sudex Financial Limited  
Tokyo Financial Exchange