PhillipCapital UK Order Execution Policy

To be read in conjunction with our Terms of Business

1. Introduction

We are required by FCA regulation to take all reasonable steps to obtain the best possible result, taking into account a range of execution factors, when executing client orders. This obligation is known as 'best execution'. How we comply with the best execution requirement and what factors must be taken into consideration by us and you are set out below.

2. Scope

The section below sets out scope of this Oder Execution policy in terms of financial instruments, client types, and order types in line with our authorised permissions.

2.1 Financial Instruments

Best execution requirements apply to all financial instruments as listed in the Annex I of MiFID II, section C. The Firm transact in the following classes of financial instruments to which this Order Execution Policy applies:

- Contracts for differences (CFD's)
- CFD's with FX as underlying financial instrument
- CFD's with equity index as underlying financial instrument
- CFD's with commodity as underlying financial instrument
- Commodity Futures & Options on Base metals traded on the London Metals Exchange
- Exchange traded Futures and Options relating to securities, commodities, interest rates, currencies and financial indices

2.2 Clients

This policy applies to Retail Clients and Professional Clients. In accordance with the Firm's obligations to the client, it has notified the client of the client classification that applies to it.

2.2.1 Retail Clients

When dealing with Retail Clients, there is a regulatory assumption that the client can rely on the Firm to protect its interests, and the Firm will apply Best Execution to all trades that the client places through it, which will be assessed on the basis of 'Total Consideration' in respect of all instruments:

2.2.1.1 Total Consideration

Total Consideration represents the sum of the price of the financial instrument and all costs associated with the execution of client's order including execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order. The Firm will evaluate regularly the offerings from various liquidity providers and make an initial assessment of suitability based upon stability, quality of technology and market reputation. Those liquidity providers deemed suitable will be added to the Firm's pool of liquidity providers and per product, and the Firm will route each order to the liquidity provider that offers the best spreads, costs and chance of execution.

2.2.2 Professional Clients

What 'Best Execution' means for Professional Clients may differ to an extent from what it means for Retail Clients. Certain execution factors may carry different weight, for example price and likelihood of execution. When dealing with Professional Clients, the Firm does not differentiate between "Elective" Professional Clients and "Per Se" Professional Clients.

2.2.3 Eligible counterparties

This policy does not apply to Eligible Counterparties where carrying out Eligible counterparty business and as such, the Firm does not owe Best Execution to transactions undertaken by clients classified as such.

2.3 Order Type

Regardless of the type of order that the client transacts with the Firm, Best Execution will apply. This will normally include order types commonly used on an execution venue, as defined by MiFID.

3. Summary of Execution Factors

Best execution is the overarching requirement for firms to take all 'sufficient steps' to provide the client with the best possible overall results on a consistent basis, and not just by providing the best price for an individual trade. To do this, the Firm shall take into account execution factors such as:

- the nature of the order to be executed
- the relevant market and its prevailing practices
- the priorities the client identifies in respect of the relevant Transaction
- price
- costs
- speed
- likelihood of execution and settlement
- size of the relevant order
- any other factors considered to be relevant to the execution of the client's orders

4. Electronic trading – the degree of control exercised by the client

It is important to understand that where you give a specific dealing instruction we will, as regards the element of best execution covered by that instruction, have met our best execution obligation by following your instruction. This is highly relevant to electronic platform trading of the type offered by PhillipCapital UK where the client is able to exercise a significant degree of control over the placing and execution of orders. For example, you may specify the price at which an order must be executed, how long an unexecuted order can remain 'live' and choose whether to execute your buy or sell decision as a single order or as several orders spaced out over a period of time. At the same time as you open a new position you may choose to place a 'stop' or 'limit' order as part of a strategy to limit losses on that position. Any and all of these decisions can affect or determine what price you get, what costs you incur and whether your order is fully or partially executed (or at all). Similarly, order execution decisions you make initially can affect the execution of subsequent orders (see 'Market impact' below).

5. Execution elements over which PhillipCapital UK has control

PhillipCapital UK is your counterparty for all trades and we are therefore acting as the executing venue for all your orders. However, we are not a market maker and do not take positions for our own account. Instead, PhillipCapital UK selects third parties willing and able to quote and deal in a range of financial securities and instrument types. These parties are called 'liquidity providers' and may also effectively be considered execution venues (see 'Execution Venues' below). Each of our liquidity providers has agreed to provide us with best execution. The prices quoted by the liquidity providers are collected and fed into the PhillipCapital UK trading platform which automatically selects the most competitive price, adds our mark-up, and displays the combined price to clients. Please note that our mark-up does not vary according to the liquidity provider. This means that the combined price you see always represents the best total price available on our platform. If you choose to deal with us at one of these prices we will offset our position with you by dealing with the liquidity provider that provided the price. We believe that this pricing and execution model is in the best interest of clients since (i) we are effectively a 'neutral' intermediary passing on dealing prices, (ii) having multiple liquidity providers increases the number of possible execution venues for clients and (iii) by displaying only the best price to clients liquidity providers are incentivised to be competitive and efficient.

In this connection, our primary best execution obligation is to appoint liquidity providers who we believe will provide competitive dealing prices across the range of financial securities and instruments we wish to offer clients. To achieve best execution on an ongoing basis we will closely monitor the actual performance of the liquidity providers (in terms of price, size of trading offered, ability to execute at price and size quoted, cost and efficiency of settlement, financial soundness, connectivity etc.). Where appropriate we may appoint additional liquidity providers or replace existing liquidity providers with new ones.

6. Execution Venues

We will deal with you as principal. This means you will have a contract for each trade directly with us and no one else. The trading positions resulting from these contracts exist solely between us and cannot be traded with or transferred to another party (such as another broker). Accordingly, you should note that your orders will not be executed on a regulated market or multilateral trading facility.

A non-exhaustive list of the liquidity providers acting as execution venues upon which we place significant reliance is available through the Annual Best Execution Disclosure published on our website and updated on at least an annual basis.

7. Other execution risks

Bearing the following factors in mind may assist you to achieve a better execution price or, alternatively expressed, help avoid trading at a worse price or unduly increasing the costs of your trading.

7.1 Market impact:

Where the market in a security or financial instrument is highly liquid (e.g. GBP/USD) it is very unlikely that your trading will affect the market in any material way. However, where the market is thin or volatile or your intended order is large relative to the daily volume of the security/FX pair etc. you may move the price against you if you attempt to execute the entire order at once. If you are unable to obtain full execution immediately you might find that you can only execute the remainder of the order at a (substantially) higher price meaning that your overall or net cost is higher. If you consider this to be a possibility you might instead place a series of smaller orders over a longer period to minimise market impact.

7.2 Timing:

Around news events or at certain times of day (e.g. at market open and close) prices may be more volatile and liquidity may be affected. The affect might only be of short duration but could materially distort the market while it lasts. To recognise when this is occurring or might occur we would advise paying attention to relevant news feeds and understanding the ‘normal’ trading behaviour of the relevant security.

7.3 Wider spreads and higher mark-ups:

Where the market in a security or financial instrument is volatile or illiquid or is otherwise considered riskier, our liquidity providers (in common with other professional market makers and dealers) will typically widen the spreads they make. This is to build in some protection against sudden adverse price movements and/or the reduced ability to exit or hedge a position. For similar reasons we will apply a higher mark-up. This means the difference between the price at which you can buy and sell is greater and is effectively an increased cost of trading.

7.4 Slippage

One of the key advantages of electronic platform trading is speed of execution. However, even in the extremely short time between your placing an order and its execution (assuming an 'at market price' order) the price available may change. Unless the order is price specific (see 'Stop and Limit orders' below), the order will be executed at the prevailing market price. Slippage is more likely to occur and be greater in fast or volatile markets (see also 'Timing' above). If you choose to place an order verbally the time taken to place and execute it will usually be longer and the risk of slippage greater. Slippage can also occur for technical reasons such as the speed of your internet connection. This may be a particular problem if placing an order via a mobile device. While slippage may work to your advantage or disadvantage please be assured that PhillipCapital UK is simply passing on the prices of the liquidity providers and will not benefit from slippage in any way.

7.5 Stop and Limit orders

When placing a Stop or Limit order please remember that the 'stop' or 'limit' you specify is simply a trigger that activates an order to buy or sell as the case may be. Once the order is activated it becomes an 'at market' order and will be executed at the next available best price. This may be the price you have specified but, where the price is moving quickly, this may be a different and 'worse' price than the stop or limit specified by you. However, it will still satisfy the Best Execution obligation since it will be the best execution possible at the time the order becomes live and executable.

7.6 Limit orders and the effect of order queuing

Where you enter a limit order and the price specified is reached in the market you should ordinarily be executed at that price provided there is enough market depth at that price to accommodate the size of your order. (But see 'Stop and Limit orders' and 'Gapping risk'). However, it may happen that there are a number of client orders specifying the same limit price which were received prior to yours. Where this is the case, and there is not enough depth to execute all the orders, the system will execute as many orders as possible at the limit on a 'first come, first served' basis. This means that later received orders may be executed at the next available price which may be worse.

7.7 'Touch and go'

Markets can be erratic and move up or down extremely quickly. It may happen that the market price reaches a limit set by you but then moves away so quickly that your trade cannot be executed at that price or that the price was so temporary that only a few orders could be executed before depth at that price disappeared. If your limit order was not at or towards the front of the queue (in terms of time received) you may not be executed at that price or at all (see 'Limit orders and the effect of order queuing' above).

7.8 Chart prices vs dealing prices

Where you access market prices from data supplied by third parties (which would include any charting services made available to you via PhillipCapital UK) please be aware that there is a significant difference between chart prices and the dealing prices quoted or displayed on a dealing system such as the PhillipCapital UK trading platform. Chart prices are generally compiled on a best efforts basis by a third party using historic data. The data may come from a stock exchange or, if unavailable, from one or more market professionals who have consented to their data being collected and published on a post trade basis. The greater the number of data contributors and the more recent the data the more useful the chart will tend to be. In particular, recently completed trades may be a reasonable indicator of where a new trade may be executed (both in terms of price and size). However, such charts do not and cannot represent the prices at which a dealer is actually prepared to deal. You should not therefore be surprised or alarmed if the dealing prices displayed on the trading platform differ from prices you have seen on a chart.

7.9 Exchange prices vs dealing prices

In recent years the role of centralised securities exchanges (where market makers were obliged to quote prices and deal) has diminished. This is a consequence of regulatory monopolies or quasi-monopolies being removed so as to encourage competition among exchanges and other price providers. A large amount of the trading of many securities now takes place on venues that do not offer transparency or speedy post-trade publication. A by-product of this market fragmentation is that price discovery (i.e. establishing where the market is for a given security) has become more difficult. Accordingly, while we believe that our liquidity providers are generally in line with current prices we cannot guarantee that this is always the case. We will aim to ensure Best Execution in this regard by monitoring the prices offered by our liquidity providers over a reasonable period.

8. Aggregation

We may at our sole discretion combine any order placed with us with that of another client or clients. We will only do this when we consider that the outcome for each of our clients to be as good as or better than executing each trade individually. This is most likely to occur when a market price reaches a limit specified by a number of limit orders ‘queuing’ in the system.

9. No creation of fiduciary responsibility

Our commitment to provide you with Best Execution does not mean that we owe you any fiduciary responsibilities over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us.

10. Monitoring & Review

We will monitor the effectiveness of this policy. We will assess from time to time whether the sources relied upon by us in pricing any instrument allow us to achieve Best Execution on a consistent basis. We will also regularly review this policy in respect of any relevant or regulatory changes and inform our clients of any material changes applied.

11. Breaches of Order Execution Policy

Breaches of the Order Execution Policy will be recorded on the Firm’s breach log.