

# Order Execution Policy

Effective date: 01 May 2020

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This document forms part of the client agreement with LMAX Broker Limited.

### 1. INTRODUCTION

- 1.1. **Purpose and objective.** Under the rules of the Financial Conduct Authority, LMAX Global ("LMAX Broker", "we", "us", "our", "ours" and "ourselves" as appropriate) are required to take all sufficient steps to obtain the best possible result when executing Orders on your behalf, taking into account a range of factors. This is referred to as providing you with "best execution".

This **policy** sets out our approach for carrying out Orders from origination to execution, the venues we use and an explanation of how the different factors influence our execution approach, so that we can obtain the best possible result when executing your Orders.

- 1.2. **Scope of policy.** The Policy forms part of our Agreement, and shall govern your relationship with LMAX Global, including any Orders you place with us in respect of leveraged derivative instruments that we offer. It is intended to be read alongside our Terms of Business and the other documents that form our Agreement. If there is any inconsistency between this Policy and our Terms of Business, this Policy will prevail. Unless separately defined in this document, words and expressions have the meanings given to them in our Terms of Business.

The Instruments we offer - FX Contracts (rolling cash settled spot FX), Commodities Contracts (rolling cash settled bullion, base metals or energy spot or forward contracts) and CFDs - are leveraged products that carry a high degree of risk.

### 2. EXECUTION VENUES

- 2.1. **LMAX Exchange and Multi-Lateral Trading Facility.** We execute each Order you place with us by placing an order identical in all respects apart from settlement (a Back to Back Order), on LMAX Exchange, LMAX Multi-Lateral Trading Facility (LMAX MTF) or in another Liquidity Pool. Our general approach is to execute your Order at a price that is at least as good as the LMAX Exchange or LMAX MTF price. We are a member of the LMAX MTF Services for the purposes of trading CFDs and we also access LMAX Exchange Services for other Instruments as a client of a Bank Member.

LMAX Exchange provides exchange quality execution to both buy-side and sell-side trading members. We have selected LMAX Exchange as the Reference Price for your trade executions. LMAX Exchange is fully committed to the FX Global Code and is committed to conducting its FX market activities in a manner consistent with the principles of the Code. It has sought to align its activities with the principles of the Code and has gone beyond the minimum standard set out in

the Code by prohibiting last look. Using reliable and robust technology, LMAX Exchange operates low latency order books, with firm liquidity for all Instruments, resulting in significant price transparency to the benefit of all users.

### 3. LIQUIDITY POOLS

- 3.1 We may execute a Back to Back Order on other Liquidity Pools. In doing so, where possible we will reference the LMAX Exchange or LMAX MTF prices and demonstrate that we have satisfied our best execution obligations to you. We may also obtain prices from Liquidity Pools (rather than from LMAX Exchange or LMAX MTF), in order to facilitate fair and orderly trading where it is not possible to do so on the LMAX Exchange or LMAX MTF.

For Commodity CFDs we will execute a Back to Back Order with a single bank Liquidity Provider who has provided consistent and reliable historic pricing. There may also be occasions where another Liquidity pool may be used. All LMAX trading will be executed on a firm liquidity basis with no last look.

### 4. EXECUTION OF ORDERS

- 4.1. **Execution of orders.** We execute each Order you place with us by placing an order identical in all respects apart from settlement in certain cases (a Back to Back Order) on LMAX Exchange, LMAX MTF or another Liquidity Pool. Note that the Instruments we offer you are, unless otherwise agreed, cash settled rather than physically settled.

We place Orders as principal and not as an agent on your behalf; we are the sole counterparty to your trades. When our Back to Back Order is matched, we will open or close a trade on your Account at the same price and size.

- 4.2. **Prices.** The prices on which you trade with us will be the prices available to us on LMAX Exchange, LMAX MTF or another Liquidity Pool. Notwithstanding, the prices of such Back to Back Orders may differ from the prices that are displayed at the time that you place your Order to trade with us due to factors such as quantities on the order book, speed of execution and your choice of connectivity.

- 4.3. **Execution of orders outside a trading venue.** Your agreement to this Policy shall constitute your prior express consent for us to execute your orders outside a Trading Venue.

LMAX MTF Services is a Financial Conduct Authority regulated Trading Venue. For the avoidance of doubt, the following are not Trading Venues: LMAX Exchange Services (as the instruments traded are not financial instruments), and Liquidity Pools (whether inside or outside the EU).

By placing an order with us to trade Energy CFDs, you acknowledge that our Back to Back trade will be executed outside of LMAX Exchange and LMAX MTF and in to an alternative liquidity pool.

**We may, but are not obligated to, obtain such consent before executing**

**each individual transaction.**

You are entitled to additional information about the consequences of such execution should you request.

- 4.4. Specific instructions.** If you provide us with specific instructions on how to execute your Orders, as is the case with Limit Orders (as defined and described in our Trading Manual), we will have complied with our obligation to take all sufficient steps to obtain the best possible result when executing your Order by following your instructions. To the extent that your instructions are incomplete, as is the case with Market Orders (as defined and described in our Trading Manual), we will follow this Policy for those parts or aspects of the Order not covered by your instructions.

If you give us specific instructions on how to execute your Orders, our resulting compliance with these instructions may prevent us from following the execution factors set out below. These factors are intended to provide you with best execution. Notwithstanding, where there is a specific instruction from you to execute an Order, we shall execute the Order following such specific instruction. Accordingly, this Policy shall not apply. We will deem Orders received via direct market access systems as specific instructions.

## **5. BEST EXECUTION**

- 5.1 Best execution factors.** It is our regulatory obligation to take all sufficient steps to obtain, when executing Orders, the best possible result for our clients taking into account price, costs, speed, likelihood of execution, size, nature or any other consideration relevant to the execution of the Order. Therefore, Orders that are not wholly covered by your specific instructions, we shall determine the best possible result by taking into consideration the price of the Instrument and the costs relating to execution, which include all expenses incurred by you which are directly relating to the execution of the 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 execution factors which we consider when executing your Orders together with their relative importance are as follows:

### **› Price - Highest importance**

The LMAX Exchange and LMAX MTF prices we receive are set by LMAX Exchange participants streaming no last look limit orders with the best Buy and Sell Orders determining the bid and ask prices. Our prices can be referenced against those on LMAX Exchange or LMAX MTF (the Reference Price), and unless there is an inverted market, where you will see a mid-point price (see 2.7 in the Trading Manual), the prices will be equal to or better than those shown on LMAX Exchange, but may differ from those shown by other LPs. We shall monitor the quality of your execution versus the Reference Price. In any event the aggregate of your executions shall be at least as good as if executed at the Reference Price.

An Order placed with us for a specific size can result in a number of trades being executed on LMAX Exchange, LMAX MTF or another Liquidity Pool to fill that Order in whole or in part. If that occurs, the prices you receive from us will depend on the liquidity on LMAX Exchange, LMAX MTF or offered by another Liquidity Pool at the time that the corresponding part of our trade is executed and the prices may differ for each of the trades executed.

- In the case of Limit Orders and Take Profit Orders (as defined and described in our Trading Manual) the price you receive at execution will be the price in your instruction or better.
- In the case of Market Orders, Stop Market Orders and contingent Stop Loss Orders (as defined and described in our Trading Manual), the price you receive at execution will be the best price available at the time our Back to Back Order is executed in whole or part on LMAX Exchange, LMAX MTF or another Liquidity Pool. This could be better or worse than the price on LMAX Exchange, LMAX MTF or another Liquidity Pool at the time your Order is placed with us.

#### › **Speed, consistency and likelihood of execution - High importance**

You may place Orders with us online via the GUI, a Software Bridge, Software Trading Tools or over the telephone during our Helpdesk Hours. We are under no obligation to accept an Order from you. However, we shall normally do so if you have sufficient funds in your Account with us, you are not otherwise in breach of the Terms of Business and it is possible to execute such Order. Factors such as the size of your Order and liquidity available in the Instrument you wish to trade will impact whether and when it is possible to execute your Order. Please see the Trading Manual for further details.

The times at which you are able to submit Orders to us are restricted. Please see the Trading Manual for further details. It is important that you familiarise yourself with the restrictions on the submission of Orders before you commence trading with us, for these restrictions may affect your trading strategy.

In order to provide protection against the potential adverse consequences of erroneous Orders on LMAX Global, we may reject any Orders that lie outside of a defined range. The ranges are, through necessity, constantly changing due to the volatile nature of financial markets. Details of the restrictions that we impose on Limit Orders are set out in the Instrument Information (click on the 'i' icon on the top right hand corner of the instrument quick ticket on the GUI).

In the event that the bid and ask prices of an Instrument you are trading widen beyond the "trusted range" prescribed by LMAX Global, we may not accept any new Orders until the affected bid and ask prices fall back within the "trusted range". Such measures are deployed by us with the aim of maintaining an orderly trading market.

We may be unable to execute all or part of your Order if there is insufficient liquidity in the Instrument you wish to trade. If this occurs, the following will apply:

- In the case of Limit Orders and contingent Take Profit Orders, the

remaining quantity will stay on the Order Book until:

- the end of the day for "GFD" Limit Orders (as defined and described in our Trading Manual);
  - cancelled for "GTC" Limit Orders (as defined and described in our Trading Manual); and
  - cancelled for contingent Take Profit Orders.
- In the case of Market Orders, the part of the Order that did not execute would be cancelled.

Please refer to our Trading Manual for working examples of when we are unable to execute your orders.

### › **Quantity available to trade - Medium importance**

We have restrictions in place in terms of the minimum and maximum size of position you may hold in an Instrument at any one time. Any opening Order you place with us will be subject to these restrictions. Our minimum and maximum position sizes are set by us for each Instrument and may vary depending on current market conditions. Our minimum and maximum position sizes as they apply from time to time can be found in the Instrument Information on the GUI.

In addition, please note our ability to fill your Order is dependent on our ability to fill our Back to Back Order.

### › **Cost - Low importance**

Unless otherwise agreed with you, we will levy a separate commission charge for each trade that is opened or closed on your Account. You do not incur an additional 'spread' charge with us as your trade is executed by us at the same price as we obtain from LMAX Exchange, LMAX MTF or another Liquidity Pool following the execution of our Back to Back Order with them. You will pay the same commission whether we fill your order via LMAX Exchange, LMAX MTF or via a Liquidity Pool. As such, commission is not a factor for choosing whether to fill Orders using LMAX Exchange, LMAX MTF or another Liquidity Pool.

Financing charges or adjustments may apply to your trades. If applicable, these charges or adjustments will result in a debit or credit being made to your Account at the time the charge or adjustment becomes effective. This will usually occur whilst the affected trade(s) is open on your Account but may occur after that trade(s) has been closed.

Details of all our charges can be found in the Trading Manual.

We shall wherever possible seek to comply with this Policy when we are required to exercise our judgement in obtaining the best outcome for the

execution of your Orders.

## **6. REVIEW, ONGOING MONITORING AND RECORDS**

- 6.1. Review of Policy and Order Execution arrangements.** We will review this Policy and our order execution arrangements annually and whenever there is a material change that could impact parameters of best execution. During the review of this Policy and our order execution arrangements, we endeavour to ensure its effectiveness, to ensure that we continue to comply with our regulatory obligations and that intended best execution outcomes can be successfully achieved on an on-going basis. If at any time we identify any deficiencies we shall take appropriate remedial action and where necessary we shall amend this Policy to give effect to the action we have carried out. Amendments to this Policy shall be effective immediately. You can always find the latest published version of this Policy on our Website.

LMAX Exchange is a trading venue for, FX Contracts that is fully committed to conducting its FX market activities in a manner consistent with the principles of the FX Global Code, by executing orders anonymously on a firm liquidity basis with no last look. This is a unique offering in a fragmented market where “last look” is widely used.

- 6.2. Customer communications.** We will notify you of any material changes to our order execution arrangements or this Policy in a durable medium or by updating our website.

We will also provide you within a reasonable time, should you request, documented evidence which demonstrates clearly that we have executed your orders in accordance with this Policy.

- 6.3. Record keeping.** For the purpose of this Policy, we will maintain records of the prices for individual financial instruments shown on LMAX Exchange and MTF for a minimum period of 5 years records, including details about costs, speed and likelihood of execution. We will also keep records which evidence our ongoing monitoring of best execution, and which demonstrate our compliance with best execution obligations to any competent authority as and when required. Such records shall be kept for a minimum of 2 years.

**By trading with us, you will be taken as having agreed to the contents of this Policy.**