

Order Execution Policy

March 2016



LMAX Order Execution Policy

Effective date: 03 March 2016

1 Introduction

Under the rules of the Financial Conduct Authority, LMAX ("we", "us", "our", "ours" and "ourselves" as appropriate) are required to take reasonable 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". What amounts to best execution will ultimately be determined by the price obtained for you, inclusive of the price of the trade, our commission, and any other associated costs.

Our Order Execution Policy (this **Policy**) describes our execution approach for carrying out Orders from origination to execution, the venue we use and an explanation of how the different factors influence our execution approach.

The Policy forms part of our Agreement. 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, the Terms of Business will prevail. Unless separately defined in this document, words and expressions have the meanings given to them in our Terms of Business.

CFD Contracts and FX Contracts are leveraged products that carry a high degree of risk. They are not suitable for everyone. You should not trade with us unless you understand the nature of the transaction you are entering into and the extent of your potential loss from a trade. You must satisfy yourself that it is suitable for you in the light of your circumstances, financial resources and investment objectives. If you are in any doubt you should seek independent advice. You trade entirely at your own risk.

This Policy does not apply where you have signed a Prime of Prime LMAX Service Agreement (PoP Agreement) with us.

2 Prices

Upon opening an Account for you, we will provide you with direct access to the prices on LMAX Exchange. The prices on which you trade with us will be the prices available to us on LMAX Exchange, or if none are available, prices available to us on another Liquidity Pool. These prices may differ from the prices that are displayed at the time that you place your Order to trade with us.

We may obtain prices from Liquidity Pools (rather than from LMAX Exchange), among other things, in order to facilitate fair and orderly trading where it is not possible to do so on LMAX Exchange.

3 Orders, trades and execution venues

We execute each Order you place with us by placing an identical order (a **Back to Back Order**) on LMAX Exchange or, where it is not possible to do so on LMAX Exchange, by executing a Back to Back Order on another Liquidity Pool. Our general approach is to place such orders solely on LMAX Exchange.

We place orders on LMAX Exchange (or, if relevant, execute them on a Liquidity Pool) as principal and not as an agent on your behalf; we are the sole counterparty to your trades and the sole execution venue for your Orders. When our Back to Back Order is matched on LMAX Exchange (or on a Liquidity Pool), we will open or close a trade on your Account at the same price and size.

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 reasonable 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.**

For Orders that are not wholly covered by your specific instructions, we shall take account of the following execution factors to deliver the best possible result when executing Orders on your behalf. We are also required to tell you the relative importance we attached to each factor.

4 Execution factors

The execution factors which we take account of when we execute Orders on your behalf are the following:

› Price – highest importance

The prices we display are described in Term 6 (Our prices and best execution) of the Terms of Business. The LMAX Exchange prices we receive are set by LMAX Exchange participants with the best Buy and Sell Orders determining the bid and ask prices.

Our prices mirror those of LMAX Exchange,¹ and may differ from those on other exchanges.

An Order placed with us for a specific size can result in a number of trades being executed on LMAX Exchange (or a Liquidity Pool) to fill that Order in whole or in part. If that occurs, the prices you receive from

¹ For LMAX Exchange, the price at mid-point between LMAX Exchange ask price and LMAX Exchange bid price will be shown where LMAX Exchange ask price for a given Instrument is lower than LMAX Exchange bid price (an **Inverted Market**). You will still trade at the actual LMAX Exchange bid or ask price.

us will depend on the liquidity on LMAX Exchange (or offered by Liquidity Pools) 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 (or a Liquidity Pool). This could be better or worse than the price on LMAX Exchange (or a 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 our 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 Exchange, LMAX Exchange 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 LMAX Exchange imposes 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).

Where you are trading solely on LMAX Exchange liquidity and in the event that the bid and ask prices of an Instrument quoted on LMAX Exchange widen beyond the "trusted range" prescribed by LMAX Exchange, LMAX Exchange may not accept any new Orders until the affected bid and ask prices fall back within the "trusted range". Such measures are deployed by LMAX Exchange with the aim of maintaining an orderly trading market.

Additionally, whilst an Instrument is deemed to be "untrusted":

- unmatched Limit Orders and contingent Take Profit Orders (as defined and described in our Trading Manual) already on the LMAX Exchange order book (the **Order Book**) will remain on the Order Book and it will not be possible to change them (although it will still be possible to cancel them); and
- Stop Market Orders and contingent Stop Loss Orders will not trigger until normal pricing resumes on LMAX Exchange unless we are able to obtain a reasonable price from another Liquidity Pool.

We may be unable to execute all or part of your Order if there is insufficient liquidity on LMAX Exchange 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.
- It is important to note that where you are long, if the price we can obtain on LMAX Exchange moves back below your Take Profit level or above your Stop Loss level then the remaining quantity will not execute until the price moves back to that price. In a similar manner where you are short if the price we can obtain on LMAX Exchange moves back above your Take Profit level or below your Stop Loss level then the remaining quantity will not execute until the price moves back to that price. In the case of Stop Market Orders, the part of the Order that did not execute would remain pending on your Account.
- In the case of Market Orders, the part of the Order that did not execute would be cancelled.

➤ **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**

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 (or a 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 or via a Liquidity Pool. As such, commission is not a factor for choosing whether to fill Orders using LMAX Exchange 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.

5 Review and records

We will monitor the effectiveness of, and our compliance with, this Policy and maintain records of the prices shown on LMAX Exchange. Such records will be kept for a minimum period of 5 years.

We will review this Policy at regular intervals (and as a minimum on an annual basis) to ensure its effectiveness and to ensure we are continuing to comply with our regulatory obligations. 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.

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