

StoneX Europe Ltd

Summary Order/Best Execution Policy

v.04.21

1. Introduction

- 1.1. StoneX Europe Ltd (hereafter the 'Company' or 'SEL' or 'we' or 'our') is a Cypriot Investment Firm established in accordance with the laws of the Republic of Cyprus and is regulated by the Cyprus Securities and Exchange Commission.
- 1.2. This Policy is provided to the Company's clients (our Client or prospective Clients) in accordance with Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters Law 87(I)/2017, as subsequently amended from time to time ('the Law').
- 1.3. SEL has formed its Order and Best Execution Policy (hereafter 'OBEP'), in a way to take all sufficient steps to obtain the best possible result for the clients when executing their orders taking under account factors such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. **Nevertheless, where there is a specific instruction from the client the investment firm shall execute the order following the specific instruction.**

WARNING: It is noted that the specific instruction may prevent the Company from taking the steps described in the Policy to obtain the best possible result for the Client.

- 1.4. By agreeing to the terms of our Terms, you are also agreeing to the terms of this Policy which forms part of the Agreements as defined in the General Terms and this policy should be read in conjunction with the General Terms (the contractual agreement that a client enters when opening an account with SEL); if there is anything you do not understand please contact our Client Services department.

2. Scope

- 2.1. The OBEP of the Company applies to execution of all retail and professional clients' orders in relation to CFDs and Margined FX products offered by SEL.
- 2.2. This policy is not intended to cover all eventualities and all circumstances that may be relevant to a particular order placed with the Company. It is rather designed to serve as an appropriate disclosure of the principles underpinning the order transmission and execution arrangements by SEL and provide appropriate information in good time to its clients or potential clients with regards to its services, the financial instruments and execution venues and all costs and related charges.

3. Business Model

- 3.1. SEL's offering includes products such as Contract for Differences (CFDs) on various underlying assets. SEL is offering the following CFDs where the underlying instrument is either, including but not limited to:
 - Indices;
 - Equities;
 - Bonds;
 - Commodities;
 - Spot FX;
 - Cryptocurrencies
- 3.2. In general, CFDs are derivative products where the underlying trades on an exchange or in OTC markets.
- 3.3. SEL deals on own account as a market maker and acts as the sole execution venue for the all the orders of its clients. Therefore, the Company will act as a counterparty to all its clients' orders and will be quoting prices for all the instruments offered through the trading platforms.
- 3.4. All prices offered by SEL are provided by StoneX Financial Limited, a StoneX Group Company authorised and regulated by the Financial Conduct Authority. Clients can access trading through SEL's proprietary web platform or through a downloadable app on desktop, mobile or tablet.
- 3.5. **All trades are executed Over-The-Counter (OTC) between the client and SEL.**
- 3.6. Following the client's order execution, SEL will hedge, on a back-to-back basis, all its market risk exposure with another entity(ies) of the StoneX Group Inc. All trading activity is 100% automated, in respect of both you and SEL, which ensures the prompt, fair and expeditious execution of client Orders, relative to other Orders or SEL's own trading interest.

4. Execution Factors

- 4.1. The various execution factors that SEL considers when delivering best execution are the following and assigns the following importance for the it Best Execution Factors:
 - Price formation (HIGH IMPORTANCE);
 - Costs paid by clients (HIGH IMPORTANCE);

- Speed of execution (HIGH IMPORTANCE);
 - Likelihood of execution and settlement (MEDIUM IMPORTANCE);
 - Transaction size (MEDIUM IMPORTANCE); and
 - Nature of the trade order (MEDIUM IMPORTANCE).
- 4.2. Based on relevant regulatory requirements, the Company publishes every quarter a report that contains data of our execution quality at www.forex.com/ie website, as follows:
- by 30 June, information regarding the time period 1 January to 31 March;
 - by 30 September, information regarding the time period 1 April to 30 June;
 - by 31 December, information regarding the time period 1 July to 30 September;
 - by 31 March, information regarding the time period 1 October to 31 December.
- 4.3. The Company also publishes at least on annual basis by the end of April each year, its Execution Quality Summary Statement on execution arrangements for CFDs in the Company www.forex.com/ie.

5. Price Formation

- 5.1. SEL obtains its prices that offers to its clients through its trading platforms from StoneX Financial Limited. Before presenting its prices to SEL, StoneX Financial Limited determines its pricing by price discovery and spread determination.
- 5.2. When pricing a CFD the following process is followed:
- Creation of a price for a specific product; and
 - Determination of a spread based on the price for that specific product.
- 5.3. Generally, Prices offered to Clients are created by:
- 5.3.1. Obtaining real-time prices from exchanges, Electronic Communication networks (ECNs) and/or top tiered banks for every underlying product via Bloomberg and Reuters. Feeding these prices into the pricing engine and generate the relevant spread per product.
- 5.3.2. Creating the bid and offer prices per product based on prices and spreads included in the price engine.

6. Prices Sources

- 6.1. The prices offered from StoneX Financial Limited to SEL, is derived either by an authorized and regulated exchange price feed during normal market hours or from top tiered investment banks and other ECNs in the case of FX.

- 6.2. In cases of 'grey market hours' – hours when the underlying market used for structuring the pricing of any particular product is closed – there is no external price available to make reference and as such prices are derived synthetically from various different sources.
- 6.3. Risk-Adjusted Prices ('RAP') are derived from the following underlying data to reflect less liquid underlying instruments.
- 6.4. For RAP the following data are obtained from the exchanges:
 - Bid
 - Ask
 - Bid Size
 - Ask Size
- 6.5. The prices offered to SEL and passed over to our clients, are subject to various checks and validations that safeguard that quoted prices to our clients are competitive and in alignment with the underlying products.

7. Pricing Checks

- 7.1. To protect both customers and SEL from trading on incorrect prices, SEL has implemented automated controls that compare the time stamps for prices from the exchange or other market where the underlying is traded, the pricing data of the company's liquidity provider or any other pricing source and the time that pricing information is received by SEL's pricing engine.
- 7.2. Among other measure and controls, when the difference in timestamps between the pricing source and SEL's pricing engine exceeds a defined tolerance level, the market will be put in an 'indicative' status, which means:
 - Customers will not be able to trade on prices shown;
 - Resting orders in the system won't trigger on prices;
 - Margin close outs won't occur;
- 7.3. It is expected, under normal conditions, that the market will auto-correct to a 'normal' status. In extreme market moves, a manual review by the Trading Desk is required to change the status of the market from the 'indicative' to 'normal' again.
- 7.4. The trading desk also monitors pricing on a continuous basis and, in certain circumstances, such as market illiquidity, may determine that a market has become 'non-tradeable'. If a market is 'non-tradeable', clients cannot trade through the online platform, but any resting orders will still be triggered, and margin close outs will still occur. Clients can execute orders by calling the trading desk or customer

management (that will pass the customer to the trading desk for execution of the order). When executing an order for the customer over the telephone, the trading desk and/or customer management will check whether the price is correct by manually checking the underlying price versus competitor pricing and/or independent sources such as Bloomberg. If the price is determined to be correct, either a corrected price will be quoted, or the customer will be informed that no price can be quoted at such time.

8. Costs

- 8.1. For many markets, SEL's Price includes its Spread with no additional charges or commissions being payable by clients.
- 8.2. For Other Markets, Client will be required to pay a separate commission charge per each trade to open or close an open position and SEL may pass on some charges arising from the underlying instruments traded. Such charges may include, but not be limited to, borrowing charges or stamp duty. Clients will also be required to pay Daily Financing Fees on the full amount of an open position.

The costs paid by customers are described below:

- 8.2.1. Transaction Costs: As noted above, Transaction Costs consist of Spreads and/or Commissions (for Equity CFDs only).
- 8.2.2. Finance Costs: SEL Credits or charges its customers a daily financing cost on the full notional value of open position(s) as follows:
 - If a client holds a short position, SEL may pay, depending on the haircut applied to the rate, the customer a daily financing fee;
 - If the client holds a long position, SEL charges the customer a daily finance fee.
- 8.2.3. Third Party Costs: SEL passes along to customers certain third-party costs, which may include:
 - Borrowing charges for the underlying instrument that exceed a pre-defined threshold;
 - Italian Financial Transaction Tax, which arises where the underlying instrument is an Italian equity or index; and
 - Stamp duty (where applicable).
- 8.2.4. SEL's Customers are not charged borrowing costs that exceed the borrowing costs charged to SEL by third-parties.
- 8.2.5. Guaranteed Stop Loss Orders: SEL offers guaranteed stop loss orders on selected products. Customers are charged a premium if the guaranteed stop loss order is triggered.

8.2.6. Other Costs: SEL is charging its Clients for:

- Back to Base Currency transactions
- Inactivity fees

8.3. A complete list of the Company's fees can be found on the relevant Costs and Charges Policy.

9. Speed of Execution

9.1. Since SEL is the counterparty to all client's trades, the trades are generally executed nearly instantaneously. In certain circumstances though, Trades might not be executed simultaneously. For example, due to illiquidity in the underlying instrument or if there is something unusual about the nature of the order. In such circumstances there may be dealing desk involvement in the execution process.

10. Likelihood of Execution

10.1. SEL offers its customers the possibility to execute either electronically on its trading platform or by calling the trading desk (who then manually enters the order). For customers who trade electronically on a price quoted on the screen in a size less or equal to the quantity that SEL has set for that product, the trade will always be executed.

10.2. Clients receive the price of the product at the time SEL receives the order, which may be different than the price quotes at the time the customer entered the order. The price difference may arise due to internet latency at a time markets are moving rapidly.

10.3. Clients can select a 'tolerance setting' (like a limit) in order to specify the degree to which they will accept a difference in the execution price compared to the quoted price. For example, a zero-tolerance setting means that the trade will not be executed if the execution price has moved from the quoted price. Conversely, a tolerance setting of '2' means that the trade will be executed if the movement in price is 2 pips or less.

10.4. SEL always passes along any price improvement to the client. Clients who wish to trade by telephone in a standard size will be quoted the same price as clients who trade electronically.

11. Transaction Size

11.1. SEL has defined minimum and 'straight through' transaction sizes for each product that it offers and normally provide certainty of execution for trades that fall within these parameters.

- 11.2. For trades outside of these parameters, the customer may be quoted a specific bespoke price or, if agreed, the trading desk may 'work the order' in the market pursuant to the customer's instructions, always keeping the best interest of the customer in mind.

12. Nature of Order

- 12.1. Price for electronic orders is shown on the trading platform. Prices for worked orders are generally based on the average price SEL receives from its Liquidity provider, when executing the order. In such circumstances the trade with the customer may be subject to any applicable costs by the Company's Liquidity Provider, as well as SEL's standard spread/mark-up. This also applies to trades executed on behalf of Professional Clients and Eligible Counterparties.

13. Hedging Strategy

- 13.1. As explained above in section, SEL is hedging all its orders on a back-to-back basis with another StoneX Group Company(ies). Therefore, under the matched principal model, SEL does not incur any market risk as this is passed along to the Company's Liquidity Provider. Both sides of the trade are executed simultaneously. SEL is not profiting from its clients' losses and its Liquidity Provider is managing centrally the market risk incurred, following its own hedging strategy.

14. Monitoring and Review of Best Execution Arrangements

- 14.1. SEL has implemented a governance structure to ensure that its best execution arrangements deliver the best possible result on a consistent basis in terms of total consideration (the price of the financial instrument and the cost for the client related to execution).
- 14.2. Monitoring and review of the Best Execution offering to clients is in the core of the business of SEL.
- 14.3. SEL's best execution monitoring is centered around the following topics:
- Market orders and tolerance rejections;
 - Order Book Management System ('OBMS') limits and stops;
 - Quotes by Auto ReQuote ('ARQ') and Dealer;
 - Execution vs third party pricing.

15. Market Orders and Tolerance Rejections

15.1. The existing execution 'logic' for market orders received from clients trading on proprietary platforms, effectively work as limit orders, by way of the tolerance setting on each order. Tolerance settings are applied per market and determine the maximum limit that a client is prepared to accept, away from the price shown on the platform used.

15.2. Given the logic outlined above – SEL has identified the following expected patterns:

- **Asymmetric Slippage:** A price movement that moves 'against' the client within their defined tolerance, will result in slippage, where a price movement occurs outside of their tolerance, will result in a rejection. A price movement 'in favour' of the client however can be unlimited. Given this unlimited nature, we should expect that results across multiple orders, should demonstrate asymmetric improvement for orders. As such, SEL is monitoring this daily and over the longer term.
- **Executed Vs Requested Price:** Given that the difference between the two prices, requested and executed, is a function of latency on the client platform versus price updated internally. The delta between the two should be minimized where possible. Significant increases are likely in times of volatility and/or an indication of issues with IP or latency.
- **Rejection Rates:** As discussed, breaches of tolerance will result in rejections. Clients are informed of the rejection's reasons, and they can manage these via the platform. Despite the ability of clients to set tolerance per market, SEL is monitoring the number of rejections in order to optimize execution experience and assist customers so that they can trade appropriately and transparently when required across all market conditions.

15.3. OBMS Limits and Stops

As well as passing orders to SEL, clients can leave resting orders (Limit Orders) that will be executed upon a trigger level being hit or breached. For Stops and Limits, the expectation is that no stops, should be filled at a better price, and no limits should be filled at a worse price. Equally a significant number of stops and limits should be filled at the requested price. Material changes in the 'at price' range, could suggest, market volatility, where price movement is more exaggerated, but equally could suggest latency, or issues in OBMS, that indicate the system manages a high number of price prints. On occasions, particularly around market opens, and other events, we should expect to observe significant differences between pending order level and executed level. For purposes of assurance, the outliers should be reviewed daily and signed off.

15.4. Quotes by ARQ and Dealers

For market orders that are above the specified liquidity available in any given market, the requested market order, will come to the trading desk, and will either be manually or automatically requoted.

Orders that are result in an automated requote, will have a streaming quote resend to the client who can then accept or reject. The streaming quote will likely be sent back with a slight price modification, or in some cases at the same price.

15.5. Execution Vs Third-Party Pricing

In order to ensure SEL pricing is an accurate representation of the market, SEL considers it appropriate to compare the underlying price used in the trade execution against a third-party rate for verification. This monitoring is done both in real time, but also T+1.

15.6. Monitoring of the above parameters is performed daily from the Company's Trading Desk. The trading desk is responsible for the daily monitoring and review of trades to ascertain whether SEL meets its best execution requirements on a consistent basis. The trading desk will document its activities and will investigate any unexpected results.

16. Reviews

16.1. Reviews are conducted by the Risk Management and the Trading Departments and are scheduled on an annual basis. They consist of:

- Review of appropriate execution venue for hedging orders;
- Review of relevant potential execution venues to determine whether the selection of SEL, as the single execution venue is still appropriate;
- Review of Independent price data providers; and
- Review of the process of applying mark-ups to derive prices offered to retail clients.

16.2. SEL reviews this Policy and its order execution arrangements at least annually. A review will be carried out whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for its client orders on a consistent basis using the methods described in this Policy.

17. Client Communications

- 17.1. In addition to the above, the Company will review this Policy on an annual basis and whenever there is a material change¹, as defined below, that could impact the parameters of Best Execution. During the review of this Policy SEL endeavour to ensure its effectiveness, to ensure that the Company continue to comply with it regulatory requirements/obligations and that indented best execution outcomes can be successfully achieved on an on-going basis. If at any time the Company identifies any deficiencies, SEL shall take appropriate remedial actions and, where necessary, SEL shall amend this Policy to give effect to the actions carried out. Amendments to this Policy shall be effective immediately. The Client can always find the latest published version of this Policy on the Company's website www.forex.com/ie under the Terms and Policies tab.
- 17.2. The Company shall notify all of its clients of any material change to its order execution arrangements by means of electronic communication. In addition, SEL will provide to its clients, within reasonable time, upon client's request, documented evidence which demonstrates clearly that SEL executed the clients' orders in accordance with this Policy.
- 17.3. Full details of the trading conditions, including trading hours, for particular products are available through the details link for each instrument on the Trading Platform (s).
- 17.4. Should the client require any further information and/or have any questions and/or reasonable requests for information about the Company's execution policies and arrangements and how these are reviewed, please direct your request and/or questions to SEL Client Management team and the Company's officers will respond within reasonable timeframe.

¹ *Material Change: A material change shall be a significant event that could impact parameters of best execution, such is, inter alia, price, cost, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.*