

# Order Execution Policy

Effective Date: 20<sup>th</sup> October 2020

## **Introduction**

This Order Execution Policy (this “Policy”) sets forth information relating to how GMO-Z.com Trade UK Limited (“we”, “us”, “our”, “ours” and “ourselves” as appropriate) seeks to provide best execution as required by the Markets in Financial Instruments Directive 2014/65/EC (“MiFID II”) and by the Financial Conduct Authority Conduct of Business Sourcebook (“COBS”), in each case as amended or supplemented from time to time, when executing orders on behalf of clients.

Under the rules of the Financial Conduct Authority (“FCA”) we are required to take all sufficient steps to obtain the best possible outcomes for the execution of your orders and consider a range of factors. This is referred to as providing you with “Best Execution”.

This Policy applies to orders received from Retail Clients and Professional Clients. It does not apply to orders from Eligible Counterparties.

This Policy describes:

- (a) The execution venue(s) that we use
- (b) Our execution approach for carrying out orders from origination to execution
- (c) An explanation of how the different factors influence the firm’s execution approach; and
- (d) How we monitor and review the effectiveness of our best execution obligations

This Policy, as amended from time to time, forms our agreement with you. The current version of this Policy can be found on our Website.

Our documents are available in English, and can be found on the English version of our corporate website. Translations into other languages are provided for referential purposes only. For the avoidance of doubt, the English version shall prevail in the event of any inconsistencies or ambiguities.

Unless separately defined in this document, words and expressions have the same meanings given to them in our Terms and Business.

## Summary

When executing order on behalf of Professional Clients, we are required to take all sufficient steps to obtain the best possible result for clients. This does not apply to transactions or parts thereof where we accept a specific instruction which includes where an order is placed through direct market access. We do not provide investment services to Retail Clients.

When executing an order, we will consider and prioritise execution factors in accordance with the methodology set out in this Policy and the execution criteria. Ordinarily we will prioritise price as the most important execution factor. However, consideration will be given to other execution factors including cost. We may pay third parties for introducing clients and we will disclose this amount to clients where applicable. This will not impact the selection of execution venues and our Best Execution Approach. We may apply different costs (in the form of spreads) depending on the execution venue selected, and we can provide further information about this on request.

We may execute orders outside of a Trading Venue. A Trading Venue means a regulated market, multilateral trading facility or an organized trading facility and definitions of which can be found in the glossary of the FCA Rules. We will review and monitor this Policy in accordance with its regulatory obligations as set out in this Policy. Material changes will be notified to clients.

### **(a) The Execution Venue and Execution of orders**

We receive your orders via the trading system, and those orders are executed by us in accordance with this Order Execution Policy. We are the counterparty to all of your trades, executing your orders as principal and not as an agent on your behalf. We execute your orders by placing a Back to Back order, exclusively and without exception, on an execution venue. When our Back to Back order is matched or otherwise executed, we will open or close a trade on your Account of the same size. Any position you open with us can only be closed with us on the trading system, and cannot be transferred to any other person.

**Your agreement to this Policy shall constitute your prior express consent for us to execute your orders outside a regulated market, multilateral trading facility or organized trading facility (each a “Trading Venue”).**

There can be consequences that come from the fact that we execute orders outside a Trading Venue. In particular, you should recognise that a non-centrally cleared OTC transaction does not benefit from any clearing mechanism, and you are therefore exposed to counterparty risk against us. This stems from the creditworthiness of us as an institution and can be measured by potential losses resulting from our potential default. It may be more difficult for you to obtain accurate pricing information because OTC trades are negotiated and priced individually and there is no central source for obtaining price information from competing dealers. You may request additional information from us about the consequences of its executing in this way outside a Trading Venue, either generally or for specific transactions.

### **(b) Our Approach to Meeting Execution Obligations**

If you provide (and we accept) specific instructions on how to execute your orders, as is the case with limit orders, 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. If your instructions are accepted by us and they are incomplete, as is the case with a market order, this Policy will be followed 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 taking the steps designed and implemented in this Policy. These are intended to provide you with best execution. Notwithstanding, where we accept a specific instruction

from you to execute a particular 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.

### **(c) The Execution Factors and Execution Criteria that Influence our Best Execution Approach**

#### **Execution Factors**

The execution factors we are required to take into consideration are as follows:

- price;
- costs;
- speed;
- likelihood of execution and settlement;
- size;
- nature; or
- any other consideration relevant to execution of the client order (for example, the minimisation of the potential market impact of the execution of the client order).

#### **Execution Criteria**

We consider a range of execution criteria in order to determine the relative importance of each those factors in the delivery of best execution outcomes for our clients. Those execution criteria are:

- The nature of the clients, including the categorisation of the client;
- the characteristics of the client order;
- the characteristics of the financial instruments that are the subject of that order; and
- the characteristics of the execution venues to which that order can be directed.

The best possible result for clients must be determined in terms of the total consideration and this takes precedence over all other factors. We will determine the importance of the Execution Factors for each financial instrument by using our commercial judgement and experience in light of the market information available to achieve the best possible outcome.

#### **Price**

We will generally give price a higher relative importance when obtaining the best possible result for orders executed on behalf of clients. However, we may also take into consideration a range of different factors, including the need for timely execution, the availability of price improvement, the liquidity of the market (which may make it difficult to execute an order), potential price impact on the market, the size of the order, the nature of the financial transaction and the quality and cost effectiveness of any related clearing and settlement facilities.

We operate a matched principle, back-to-back execution model and therefore instantaneously hedge each one of our client trades with a liquidity provider. This dictates the prices that we are able to offer to clients, and we will only select liquidity providers who use a wide range of counterparties and can provide the best possible prices. Pricing is fully automated, and it should be noted that there is no external market for the products that we offer. Therefore, the prices that we offer may not be exactly the same as those offered by other providers for each underlying asset, however we seek to offer the very best possible prices at all times. Other execution factors may be given precedence over price only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the client.

In respect of market orders, the trading system will execute an order at the first available price (for the relevant size of the order) as soon as possible after the order is accepted. The price at which the order is executed may be different to the price displayed at the time of placing that order due to movements in the market that have taken place between the time that the order is placed and that at which the order is executed by the trading system. Such price movements, known as slippage, will either disadvantage or benefit clients.

### **Cost**

The relative importance that we attach to cost is high. Trading costs and system costs relating to the provision of the trading system(s) offered by us are included in the spread for each tradable instrument and/or the commission charged separately for each trade. We may apply different costs in the form of spreads or commissions depending on the execution venue selected and we can provide further information about this on request.

### **Speed of Execution**

The relative importance that we attach to speed of execution is high. Order execution is fully automated on the trading system we offer, and speed of execution is key to obtaining the best possible outcome for you in terms of best price delivery for market orders. Speed of execution can be impacted by:

- Technical considerations on the trading systems(s) offered by us (latency caused by data transfer rates or/and system performance);
- The suitability of your equipment and the quality of your internet connection; or
- Rapid market fluctuations.

From time to time, there may be circumstances that affect the trading system's ability to provide a price feed or the prices generated. These circumstances are detailed in the Terms of Business.

### **Likelihood of Execution**

The relative importance that we attach to likelihood of execution is high, and factors affecting this are noted below:

- Orders are executed in order of submission (first come, first served) regardless of the order type or product.
- Some order types are only available during trading hours and certain order types are available at all times.
- All orders must conform to our terms and conditions in respect of margin requirements, and order limits where applicable for the trading system used, in order for execution to take place (you will be notified of any order limits applicable to the trading system you use before your usage of the trading system commences). Orders that do not meet these requirements will be rejected by the trading system.
- The submission and acceptance of an order is not a guarantee of its execution.
- Please note that we are not under any obligation to accept an order from you. However, we will normally do so if you satisfy our terms and trading conditions.
- 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.
- Our ability to fill your order is dependent on our ability to execute our Back to Back order.

**Quantity available to trade (size)**

The relative importance that we attach to “quantity available to trade” is high. Depending on the trading system you use, available quantities to trade and the spreads at which these quantities are available can be viewed on the price ladder displayed on the trading system, however due to the nature and availability of liquidity, trading in larger sizes may affect the likelihood of execution slippage, rejections, or delays in the execution of orders. Please note that the price ladder is not available for all of the trading systems we offer.

**(d) Approved execution venues**

This Policy, outlines the execution venues that we consider as enabling best execution on a consistent basis for each financial instrument for which we execute orders.

When selecting execution venues (including those marked with an asterisk for OTC transactions), we may consider the following qualitative factors (amongst others):

- Order type functionality of the execution venue
- Transparency (e.g. lit, dark) of the execution venue
- Clearing schemes
- Circuit breakers
- Scheduled auctions
- Liquidity analysis
- Toxicity analysis
- Reversion analysis
- Market share
- Breadth of market coverage
- Reputation, financial strength and stability\*
- Willingness to execute difficult transactions
- Willingness to put balance sheet at risk for non-centrally cleared OTC trades\*
- Execution of an ISDA Master Agreement with clients\*
- Access to liquidity\*
- Ongoing reliability\*
- Overall costs of a trade including commissions, mark-ups, markdowns or spreads\*
- Anonymity of trading activity\*
- Licensed, as required, to execute the type of transaction\*

**(e) Monitoring**

We will monitor the effectiveness of our order execution arrangements on an ongoing basis and implement appropriate enhancements. We will notify you of any material changes to our order execution arrangements.

**(f) Review**

We will review this Policy and our order execution arrangements at regular intervals and at least annually and whenever there is a material change that could impact our ability to obtain the best possible result for the execution of client orders on a consistent basis to ensure that we are continuing to comply with our regulatory obligations. If at any time we identify any deficiencies we will take appropriate remedial action and where necessary will amend this Policy. Amendments to this Policy shall be effective immediately. The latest published version of this Policy can be found on our Website at all times.

**(g) Reporting**

Where required by applicable regulations, we will publish on the top five execution venues we have used on an annual basis in terms of trading volume for classes of financial instruments. This information will be published on our Website.

**(h) Communications**

We shall notify you of any material changes to the order execution arrangements or this Policy in a durable medium or by means of our Website.

For further details or questions about this Order Execution Policy and its content please contact us.

**By trading with us, you will be deemed to have given your continued consent to the contents of the current version of this Order Execution Policy.**