INTL FCStone®

Commodities · Global Payments · Foreign Exchange · Securities

IFL Order Execution ("OE") Policy

Version New_1

OCTOBER 2019

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1 Introduction

As a Markets in Financial Instruments Directive ("MiFID") investment firm, INTL FCStone Ltd. ("IFL" or "the Firm") is required to establish and implement effective arrangements for complying with the overarching obligation to take all sufficient steps to obtain, when executing orders or placing orders with other entities to execute, the best possible results for its clients, taking into account the execution factors, on an on-going basis (hereinafter referred to as the "best execution obligation")..

Commission Delegated Regulation (EU) 2017/565 ("MiFID Delegated Regulation"), adopted by the European Commission ("EC") pursuant to Articles 27 (9) and Article 89 of Directive 2014/65/EU ("MiFID II"), sets out the organisational requirements and operating conditions surrounding best execution in Articles 64 to 66. The Policy ("the Policy") has been designed to satisfy these requirements together with those set down in Conduct of Business ("COBS") 11.2A of the Financial Conduct Authority's ("FCA") Handbook of Rules and Guidance, which require that, amongst other things:

i. IFL establishes and implements an order execution policy to allow it to meet the best execution obligation, including information on:
    - different execution venues, including those outside a Trading Venue ("TV");
    - how orders will be executed;
    - requirement to obtain prior consent from clients, particularly for orders executed outside a TV;
    - different organisational requirements taken into account by IFL, e.g. acceptance of monetary and non-monetary benefits in compliance with MiFID II rules on inducements;
    - relative importance of the execution factors and how this is determined;
    - application of the Policy;
    - list of all available execution venues;
    - monitoring and update of the Policy; and
    - how IFL compares and analyses all relevant data in its assessment of its order execution arrangements.

The best execution obligation is a core component in the regulation of financial services and aims to deliver three main objectives:

(i) ensure protection for investors;

(ii) sustain integrity in the price formation process, especially in the over-the-counter ("OTC") markers, which itself underpins all trading activity; and

(iii) promote competition among TVs in increasingly fragmented markets.

IFL aims to continue to meet the best execution obligation in all of its business dealings, as far as practicably possible, with due regard to Principle 6 of the FCA's Principles for Businesses ("PRIN"). IFL acknowledges that, in certain circumstances, this will not be possible to achieve in respect of every single order. Notwithstanding this, IFL commits to verify on an on-going basis that its execution arrangements function in the expected manner throughout the different stages of the order execution process.

IFL structures its order execution arrangements to allow front office staff to exercise their professional judgement in the best interests of its clients in the execution of orders, especially as the rules governing order execution are neither prescriptive nor open-ended, and the differing needs and requirements of clients. All employees involved, directly or indirectly, in the execution of orders on behalf of clients are expected to comply with the provisions of the Policy. The Policy applies only in respect of the execution of orders on behalf of clients by IFL in exchange-traded and over-the-counter ("OTC") financial instruments across all asset classes.

The best execution obligation applies to the execution of orders (without prejudice to type) on behalf of 'Retail' and 'Professional' (Per Se and Elective) clients across all of the following asset classes: (i) CO: Commodity and emission allowances; (ii) CR: Credit; (iii) CU: Currency; (iv) EQ: Equity; (v) IR: Interest Rate; and (vi) OTC: Over-the-counter. To the extent IFL owes a contractual or agency obligation to any client(s).

In respect of a 'Professional' client, IFL does not assume that a client places legitimate reliant on it to meet the best execution obligation and conducts the four-fold cumulative test[1] to determine whether a client places legitimate reliance on it to protect their interests in relation to pricing and other important elements of the transaction.

All of the following are non-exhaustive circumstances where the provisions of the Policy do not apply:

(i) execution of orders on behalf of a client classified as an 'Eligible Counterparty' (Per Se or Elective); and

(ii) execution of orders by a trading desk that only engages in proprietary trading against IFL's own capital.

For the avoidance of doubt, IFL does not have the regulatory authority or authorisation to detail with clients classified as 'Retail'. Unless otherwise specified, the Policy applies to all orders executed on behalf of a client across all asset classes, irrespective of whether or not they: (i) relate to a financial instrument (or financial instruments) listed in Annex 1, Section C of MiFID II (accessible here: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065&from=EN) and/or (ii) are executed on a TV.

Any breach of the Policy will be regarded seriously and may lead to internal or external disciplinary action being taken against the employee responsible, which may take the form of immediate dismissal without compensation, prohibition on the carrying out of regulated activities and/or a review of an employee's variable remuneration entitlements.

Any employee who is in any doubt as to the provisions of the Policy and/or is aware of any occurrence where another employee has exercised gross negligence, should consult the Compliance Department as soon as reasonably practicable at IFLComplianceMonitoring@intlfcstone.com and/or IFLAdvisoryCompliance@intlfcstone.com.

2 The best execution obligation

2.1 Trading capacity

IFL may act in a variety of roles and capacities in the execution of client orders to achieve the best execution obligation, either on a trade-by-trade basis or in accordance with a pre-agreed approach. Upon receipt of a client order, IFL may:

(i) act as agent, executing orders on behalf of a client pursuant to the client mandate, and without taking on market risk; or

(ii) act as principal, taking on one or more risks in connection with an order, including market and credit risk.

2.2 The execution factors

The execution factors that must be taken into account by IFL are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

2.2.1 Execution factor: Cost

IFL views the control of costs as integral to meet the best execution obligation, and takes into consideration all of the following components of cost:

(i) implicit cost control, meaning minimising the market impact of order execution;

(ii) explicit external costs (e.g. exchange or clearing fees); and

(iii) explicit internal costs, which represent IFL's own remuneration through its commission or spread.

[1] (i) which party initiates the transaction; (ii) questions of market practice and the existence of a convention to 'shop around'; (iii) the relative levels of price transparency within a market; and (iv) the information provided by IFL and any agreement reached.

IFL structures its commission arrangements in such a manner to avoid discriminating unfairly between execution venues. This prevents IFL from charging a different commission or spread to clients for execution on different execution venues where it does not relate to identifiable differences in the explicit costs incurred on behalf of clients.

2.2.2 Relative importance of the execution factors

IFL adheres to the best execution obligation through multiple measures. One of which is to indicate the relative importance of each execution factor using a scale rating from 1 (very high) to 5 (very low). Assigning a weighting scale, however, does not preclude the importance value changing in conjunction with issues which can impact the quality of execution, such as a lack of liquidity, insufficient credit rating of a counterparty and factors out of IFL's control (e.g. widespread technical disruption).

2.3 Consideration of relevant criteria

A non-exhaustive list of relevant criteria taken into consideration includes:

I. insufficient liquidity available on a particular execution venue;

II. reference to a benchmark calculated over a period of time;

III. crossing of client orders

IV. contractual arrangements;

V. mandatory trading obligation;

VI. large orders;

VII. market conditions;

VIII. assessment of counterparty; and

IX. execution of a block trade.

With regard to liquidity, one of the highest priorities for IFL is likelihood of execution over achieving a specific price given that the price discovery process in illiquid markets is more challenging. Price formation in highly liquid markets is fast and robust, therefore IFL takes the necessary steps to meet the best execution obligation across the liquidity spectrum.

2.4 Aggregation of client orders

Where IFL aggregates orders of different clients, such aggregation will occur in accordance with the relevant FCA rules and records will be maintained as required by those rules. The executed orders are allocated fairly and proportionately.

2.5 Fairness of pricing for OTC products

IFL aims to establish necessary control infrastructure, including suitable processes and procedures, to scrutinise the pricing methodologies and all of its valuation processes and pricing models utilised to ensure it consistently checks the fairness of the price quoted to a client.

2.6 Treatment of client specific instruction

IFL will execute orders in accordance with the specific instruction(s) provided by a client, irrespective of the execution factors or other relevant consideration. By following a client's specific instruction(s), IFL will have met the best execution obligation. Should a client's specific instruction only apply to part of an order, the remaining parts of the order will be subject to the provisions of the Policy.

IFL requires each trading desk to remain accountable in the execution of a client order following specific instruction and not to induce a client to instruct them to execute an order in a certain way, by expressly indicating or implicitly suggesting the content of the instruction to the client..

Where a client engages IFL directly seeking (or is accepting) a quoted price provided by IFL acting in a principal capacity and there is no reliance placed upon IFL by the client in respect to the price or other aspects of the order, such as speed and likelihood of execution and settlement, the best execution obligation does not apply.

2.7 Execution of client orders via Direct Electronic Access ("DEA")

Where IFL executes a client order via the provision of DEA by an intermediary firm, such a futures-commission merchant ("FCM"), IFL will consider such an intermediary to be the execution venue for the purposes of meeting the best execution obligation. IFL acknowledges that, via the use of DEA services to specifically direct an order to a particular execution venue, it is the person giving a specific instruction regarding the choice of the execution venue.

2.8 Provision of electronic trading functionality to clients

Across all asset classes IFL provides its clients with access to electronic trading platforms where they can self-execute orders which are then routed to multiple liquidity sources or execution venues. IFL offers its clients with a selection of electronic trading platforms depending on a client's choice or specific needs andmay, if it deems necessary, recommend a certain electronic trading platform depending on the liquidity on offer by an execution venue.

2.9 Internalisation of client orders

IFL will undertake the practice of 'internalising' or executing orders through connected parties, including via other IFL trading desks or IFL group entities, where it can evidence that such execution met the best execution obligation and all pertinent conflicts of interest are appropriately managed. When 'internalising' client orders, IFL does not do so to enjoy lower costs, manage its own risk or inventory and other potential benefits to the extent there is no corresponding benefit for a client.

2.10 Application of 'mark-up'

IFL applies a 'mark-up' to client orders in respect of OTC contracts and in instances where it acts as in a market making capacity. 'Mark -up' is the spread or charge that may be included in the final price of a transaction in order to compensate IFL for a number of considerations, including, but not limited to, risks taken (e.g. credit risk, liquidity risk, counterparty risk, market risk) costs incurred and services rendered to IFL's clients.

2.11 Use of a single execution venue

IFL, in a given class of financial instruments, may choose to execute client orders on a single execution venue only where it can demonstrate that such a choice enables it to meet the best execution obligation. IFL exercises this right to counter-act the adverse impact of market fragmentation following the proliferation of execution venues.

To justify its selection of a single execution venue, IFL regularly assess the market landscape, using a combination of the skills, expertise and experience of its staff together with relevant metrics (focusing on volume, frequency of trading, resilience and/or execution price related information), to determine if there are alternative execution venues.

IFL's reliance on a single execution venue does not absolve it from the duty to provide for the best execution obligation because one or more of the following conditions may result in materially different outcomes:

(i) different order types (e.g. limit orders, 'good till cancelled' ("GTC"), 'stop-loss' orders (especially in consideration of the defined terms, such as the reference price, order amount, time period and trigger);

(ii) the calibration settings of an algorithm (order execution and/or investment fdecision) or Smart Order Router; and/or

(iii) the multiple ways the execution of a single order can be affected (e.g. 'blocking' versus splitting into multiple 'child' orders).

2.12 Types of trading system

In its capacity as a diversified, global financial services provider, IFL utilises a variety of trading systems which determine how an execution venue chosen or used by IFL executes client orders. The type(s) of trading system(s) used will depend on, to a large extent, the type of asset class, financial instrument and characteristics of the market to which an order relates. IFL will aim to use the trading system it deems most appropriate to achieve the best execution obligation, regardless of changing technological change, market sentiment and/or other external factors.

Type of system	Description of system
Continuous auction order book trading system	System that by means of an order book and trading algorithm operated without human intervention matches sell orders with buy orders on the basis of the best available price on a continuous basis.
Quote-driven trading system	System where transactions are concluded on the basis of firm quotes that are continuously made available to participants, which requires the market makers to maintain quotes in a size that balances the needs of members and participants to deal in a commercial size and the risk to which the market maker exposes itself.
Periodic auction trading system	System that matches orders on the basis of a periodic auction and a trading algorithm operated without human intervention.
Request-for-quote trading system	Trading system where a quote or quotes are provided in response to a request for a quote submitted by one or more other members or participants. The quote is executable exclusively by the requesting member or market participant. The requesting member or participant may conclude a transaction by accepting the quote or quotes provided to it on request.
Voice trading system	Trading system where transactions between members are arranged through voice negotiation.
Trading system not covered above	Hybrid system failing into two or more of the above or a system where the price determination process is of a different nature than that applicable to the types of system covered above.

2.12.1 Use of Request-for-quote ("RFQ") trading system

IFL may use the RFQ system of a TV that allow it to identify and select the counterparties they wish to obtain quotes from, before concluding the trade with the selected counterparty on that TV's RFQ system. IFL will utilise obtain quotes from counterparties using this method where it is demonstrably clear that it will be able to comply with the best execution obligation, but without prejudice to any underlying arrangement(s) with said counterparties.

3 Benchmarks

IFL ensures that, where client orders may be used in determining a benchmark reference price (or prices), such execution and/or placement is handled in accordance with applicable rules and regulations designed to ensure the integrity of a market. IFL executes all client orders in a manner consistent with good practice, and, especially those which have a potential to have a sizeable market impact, with particular care and attention.

4. Monitoring of execution quality

IFL maintains a robust control framework with suitable arrangements to manage, maintain and oversee its execution arrangements.

Results of IFL's best execution monitoring, which is performed on a periodic basis by front office staff and subject to review by the Compliance department, are presented to IFL's senior management at the Compliance committee. IFL reviews trades and assesses how each one performed in the context of a client's specific instruction, market conditions and the characteristics of the instrument being traded.

4.1 Last look

IFL does not apply the practice of 'last look' to client orders received. IFL uses other risk control mechanisms to verify and/or price a trade.

4.2 Transaction cost analysis ("TCA")

IFL utilises the services provided by a third-party vendor to assess its compliance with the requirement to obtain the best possible result when executing a client's order (commonly referred to as the 'best execution obligation').

5 Reporting information on top 5 execution venues and quality of execution

IFL complies with the requirements laid down under Commission Delegated Regulation (EU) 2017/576 ("RTS 28")[2] by publishing the identity of execution venues used and on the quality of execution, plus a summary of the analysis and conclusions drawn from monitoring the quality of execution provided by the execution venues it used. IFL will complete and publish a report in respect of all execution venues in which IFL is a member and executes client orders, and where IFL has passed an order to another legal entity to execute the order on its behalf, such as the receipt and transmission of orders or placing orders with another entity to execute on their behalf, including branches, tied-agents, company affiliates or any connected parties of IFL. IFL keeps each report in the public domain for the minimum specified time period to enable its clients to evaluate the quality of IFL's execution practices.

IFL may also produce a consolidated report on the execution venues and entities it uses most frequently in the provision of order execution (including order transmission) services.

Should IFL execute orders in Securities Financing Transactions ("SFTs"), the reports completed and published will contain, at the minimum, the information specified in RTS 28, such as the volume of client orders executed on that execution venue expressed as a percentage of total executed volume. As it currently stands, IFL does not currently execute any client orders in SFTs.

6 Payment for order flow ("PFOF")

IFL does not engage, or falsely purport not to engage (includes an attempt to describe a commercial relationship in terms that are not consistent with the economic realities of IFL's activities (termed a 'recast arrangement')), in any arrangement that may amount to PFOF and represent a sub-optimal outcome for clients.

7 Client notification

IFL complies with its obligation to provide clients with notifications they reasonably expect to receive in respect of its order execution arrangements. To this end, COBS 11.2A.31 [R] mandates that IFL must notify its clients of any material change to its order execution arrangements or the Policy. IFL undertakes to make such notification(s) to its clients as soon as reasonably practicable but no later than 48 hours after such material change. All employees are expected to assist the Compliance Department in all such notifications without unreasonable delay. Failure to provide the required notification to clients may cause IFL to breach Principle 7 of PRIN.

8 Retention of records

All records pertaining to IFL's order execution arrangements and order execution policy will be retained for the longer of five years or the period of time specified under applicable law, regulatory rules.

9 Review of policy

The Policy will be reviewed and updated on a periodic or rolling annual basis by the Compliance Department in accordance with its governance framework. completion of the review of the Policy, IFL will notify its clients of any material changes to the order execution arrangements or the policy in accordance with its terms of business.

If a material event occurs, the Policy and internal desk procedures will be reviewed by the relevant front office personnel at the earliest opportunity to ensure that they remain effective in ensuring IFL can meet the best execution obligation. IFL's front office personnel retain responsibility and accountability for ensuring that its order execution arrangements and policies meet the regulatory requirements.

Version History	Date	Approved at
Version New 1.0	15/10/2019	Compliance Committee

[2] RTS 28: Commission Delegated Regulation (EU) 2017/576 (Available from: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0576&from=EN [Accessed 7th February 2019])