

# ICAP Execution Policy

July 2016

This Execution Policy is applicable to broker services provided to you by ICAP Group and/or any of its relevant group companies, as notified to you from time to time (“ICAP”).

This Execution Policy should be read in conjunction with ICAP’s standard terms of business.

## Introduction

When providing a brokerage service to you in relation to financial instruments (as set out in Annex 1), ICAP will take reasonable steps to achieve the best overall trading result for you. This means that ICAP will aim to provide “best execution” subject to and taking into account the nature of your orders, the prices available to ICAP in the market, the nature of the market in question and a reasonable assessment of the sometimes overlapping and conflicting execution factors (which are detailed below).

ICAP’s intention is, so far as possible, to exercise consistent standards and operate the same processes across all markets, clients and financial instruments in which the Broker operates. ICAP also intends to provide you and other market participants with access to (where possible) tradable prices on a non-discriminatory basis. However, the diversity in those markets and instruments, what ICAP knows of your own trading intentions, and the kind of orders that you may place, mean that different factors will have to be taken into account in relation to any particular transaction.

Annex 2 to this document provides further detail on the nature of the service ICAP, as an Inter-Dealer Broker (IDB), provides to its clients.

## Exemptions from the provision of Best Execution

Notwithstanding the intentions expressed above, ICAP does not undertake to provide “best execution” if you fall within any of the following exemptions:

### Eligible Counterparties

- If you are classified as an Eligible Counterparty you will not be entitled to best execution under the UK Financial Conduct Authority (“FCA”), or equivalent EU rules. This is in line with Article 24 of MiFID which provides that the best execution obligation under Article 21 will not apply.

### Market Practices

- In the wholesale OTC derivatives and bond markets (and for the avoidance of doubt this would include derivatives in Equities, Energy and Commodities) in which ICAP operates (and as recognised by the European Commission) it is normal market

practice for buyers and sellers to “shop around” by approaching several brokers/dealers for a quote. In these circumstances there is no expectation between the parties that the broker/dealer chosen will owe best execution. As a sophisticated participant in the wholesale markets, unless you advise us to the contrary we will assume that this is your normal trading behaviour.

#### Transactions arranged in a name passing capacity

- Brokers acting in a name passing capacity (as described in Annex 2) are receivers and transmitters of orders but in carrying out their activities they do not receive and transmit orders for execution. Where orders are not transmitted for execution, the requirement to provide best execution will not apply.

#### Client Instructions

- Where you provide ICAP with a specific instruction in relation to your entire order, or any particular aspect of your order, including an instruction for your trade to be executed on a particular venue, ICAP will execute the order in accordance with your instructions. However, please note that in following your instructions, ICAP will be deemed to have taken all reasonable steps to provide the best possible result for you in respect of the order, or aspect of the order, covered by your specific instructions.

Note that when you give an offer, take a bid or place an order on a multilateral trading facility (MTF), the best execution provisions of MiFID will not apply to the operator of the MTF and these obligations will fall on the user of the system. Your order will be classified as a specific instruction and hence the best execution provisions of MiFID will not apply.

### **Clients**

Except in exceptional circumstances, ICAP will only deal with Eligible Counterparties and Professional Clients as defined in MiFID and by the FCA.

Because ICAP always intends to handle orders and expressions of interest in an equitable and consistent manner, once a client is classified as an Eligible Counterparty for the purposes of a particular instrument, that client may not then elect to be re-classified for the purposes of one transaction of a type it customarily undertakes. Exceptional circumstances may be taken into account at the time, with the consent of ICAP (ICAP may decline to provide a service should a reclassification be requested).

### **Execution Venues**

This Execution Policy sets out the venues on which ICAP may transact your order. It has identified those venues on which ICAP will most regularly seek to execute your orders and which ICAP believes offer the best prospects for achieving the best possible results for you, taking into account the execution factors detailed below. ICAP is able to transact trades on your behalf on any of the following execution venues:

- ICAP's customer base in the over the counter (OTC) markets;
- Any Multilateral Trading Facility (MTF) operated by ICAP; and
- Various Exchanges and Multilateral Trading Facilities to which ICAP has access and which are listed in Annex 3. Please note that this list is not intended to be exhaustive and ICAP reserves the right to utilise alternative execution venues.

When selecting the venue on which to transact trades ICAP will take reasonable measures to ensure that the selected venue obtains the best possible trading result for its clients, subject to the following factors:

- In the OTC markets in which ICAP operates, it can only give clients visibility to prices that have been communicated to ICAP by other clients that operate in the same market, accordingly any "best outcome" will solely be within these limits;
- ICAP will provide details of all tradable bids and offers (subject to the other matters referred to below);
- Time availability of prices – in many markets there are lulls and spikes in trading as negotiations align trading interests at different times and different parts of the curve, accordingly the "last traded" price may not always be available or act as a reliable indicator of current price;
- ICAP cannot allow clients to trade in a market unless it is reasonably satisfied that the client (via an agent or otherwise) is operationally capable of settling the relevant trade;
- ICAP cannot control either the cost of credit (credit premium) or credit acceptance between its clients;
- Rates of brokerage will vary between clients, based on agreements and levels of activity.

### **Execution Factors**

In the absence of express instructions from you, ICAP will exercise its own discretion in determining the factors that ICAP needs to take into account for the purpose of providing you with the best possible result.

These execution factors in the wholesale markets in which ICAP operate will include, but are not restricted to, the:

- characteristics of the client;
- size, nature and characteristics of the order;
- likelihood and speed of execution;
- price and costs of execution; and
- exchange settled block trades, or positions larger than standard market size, may be crossed at a particular stage in the trading day or kept anonymous to the majority of market participants; unless otherwise directed, ICAP will only show the price and size to parties that it believes may have an interest in executing or crossing such a position.



### **Monitoring and review**

ICAP will monitor the effectiveness of its order execution arrangements and order execution policy in order to identify and, where appropriate, incorporate any amendments to procedures. ICAP will assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for its clients or whether ICAP needs to make changes to its execution arrangements. ICAP will review its order execution arrangements and order execution policy at least annually or whenever a material change occurs that affects its ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the venues included in its order execution policy. ICAP will notify you of any material changes to its order execution arrangements or order execution policy as described above by posting the information on the ICAP's website.

### **No Fiduciary Relationship**

ICAP's commitment to provide you with "best execution" does not mean that it owes you any fiduciary responsibilities over and above the specific regulatory obligations placed upon it or as may be otherwise contracted between ICAP and yourself. You remain responsible for your own investment decisions and ICAP will not be responsible for any market trading loss you suffer as a result of those decisions.

### **Pre-execution Communications**

In relation to exchange rules regarding pre-execution communications (including but not limited to ICE Futures Europe Rule G4, ICE Futures US Rule 4.02 (k) & CME Group Rule 539), ICAP is required to obtain consent from clients in order to engage in pre-execution communications. By providing ICAP with an order, you are deemed to have provided your consent for ICAP to engage in pre-execution communications on your behalf, in accordance with the rules, as amended from time to time.

### **London Stock Exchange Trade Reporting**

In relation to London Stock Exchange Rule 3000, where ICAP trades with you in an instrument which requires reporting to the exchange, by providing ICAP with an order, you are deemed to have provided your agreement for ICAP, where necessary, to report that trade to a venue that has equivalent or greater post-trade transparency than the London Stock Exchange's regime for that security.

## Annex 1: Financial Instruments As Defined by MiFID

1. Transferable securities
2. Money-market instruments
3. Units in collective investment undertakings
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or an MTF
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
8. Derivative instruments for the transfer of credit risk
9. Financial contracts for differences
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

## Annex 2

### 1. INTER-DEALER BROKING

#### 1.1 Introduction

The main business of an inter-dealer broker (broker) is to provide access to over-the-counter and/or exchange traded pools of liquidity, across a full range of asset classes and their associated derivatives. Typically, brokerage activity takes place in the wholesale financial markets, which includes cash deposits, financial derivatives, securities, equities, commodities, energy and credit.

The primary function of a broker is to act as an intermediary through which other wholesale market participants can conclude transactions by the matching of their trading needs with third party wholesale market participants having reciprocal interests.

Trading is conducted on an 'arm's length' basis with counterparties who do not rely on the advice of the broker. Typically, counterparties in these markets would be wholesale market participants consisting of clearing and investment banks, investment firms, building societies, pension, public sector bodies, life and hedge funds etc and would not include any retail clients as defined under the FCA rules.

The majority of the brokerage activities are based on the principle of matching fast moving bids and offers. Prices, orders and expressions of interest will be communicated across a variety of mediums, including telephone, electronic instant messenger, electronic display screen, or by an electronic trading system (Multilateral Trading Facility as defined by MiFID).

In each market, brokers will communicate to the counterparties whether bids and offers are 'firm' or 'indicative' – in most cases unless otherwise stipulated during the course of dealing, market quotes provided by brokers represent tradable prices based on counterparties' bids and offers and market information then available.

Brokers will endeavour to match the counterparties trading requirement or orders with other trading interests in the market. In most cases this means that brokers can only give the counterparty access to their own liquidity pools, and will pass prices or orders to and from its other counterparties. Brokers may use link brokers with whom they have a relationship in order to arrange a trade between the counterparty and a client of the linked broker.

Brokers, as instructed, will arrange trades on behalf of a counterparty, based either on a price or order that the counterparty has placed with them, or as confirmed by the counterparty following a period of negotiation.

Brokers utilise price dissemination screens in their role as voice brokers, and illustrate an actual or indicative mid-market price based on actual trading, orders and expressions of interest. While brokers intend to provide counterparties with the most accurate and reflective view of current price levels, it may not be possible to actually trade at the displayed prices if a corresponding order is not then available.

Unless otherwise communicated to the counterparty before trading, all orders submitted to a broker's MTF platform will be traded on price/time priority. Counterparties will also be able to view full order depth. Execution occurs on the basis of active acceptance of orders in the system submitted by other users. Eligibility, trading methodology, instrument descriptions and credit parameters are all set out in the user terms for the relevant MTF.

Prices are given and trades executed, excluding brokers' brokerage (i.e. a clean price). Brokerage rates are as agreed between the counterparty and the broker by product, often with volume discounts or other fee discounts based on market making activity.

## **1.2 Business Models**

To facilitate this activity brokers engage their clients on both an electronic and voice basis. In most cases brokers arrange trades on a 'name passing' basis. However there are two other brokerage business models: 'matched principal' and 'exchange give-up'.

In the cash equity and fixed income products, brokers may act on a 'matched principal' basis to the trade in order to provide anonymity to ensure client confidentiality to its counterparties and may engage in aggregation of trades to reduce the number of settlement counterparties.

In the derivatives markets, where a derivative exchange exists (e.g. Euronext, Eurex, CME), the broker receiving a client order may engage in exchange trading under its own or a third parties name in the capacity of an 'Executing Broker', as defined in the Futures and Options Association's International Uniform Brokerage Execution Services ('Give-Up') Agreement, and give-up the trade to a client's clearer before the close of the day. Under this 'exchange give-up' model the broker is subject to intraday exposure of this principal position until the trade is accepted by the counterparty. The purpose of this is to facilitate the instructions of the principal as a client.

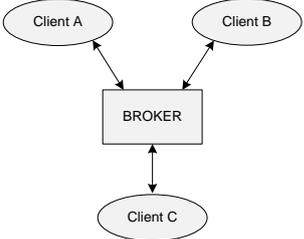
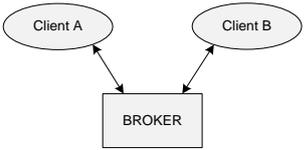
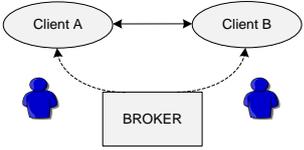
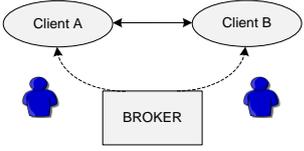
### 1.3 Name Passing

The name passing brokerage model is the traditional model, through which the broker takes on an arranging role in a transaction between two or more counterparties. The broker, through price dissemination, distributes quotes to other market participants showing both price and volume. For voice brokered products, these prices and volumes are dependent upon market convention, either firm or indicative levels of interest, and must be confirmed prior to the trade being completed. For electronic brokered products through MTFs, these prices and volumes are typically firm and are traded without further communication.

Once the trade price, volume and terms have been agreed, either through further conversation with the broker or with the direct hit or taking of prices on an MTF, the counterparties' names are disclosed and the broker steps away from the transaction. Bilateral agreements are then enforced between the counterparties and the broker will invoice the brokerage fee on a monthly basis.

#### 1.3.1 Example: Name Passing

 = broker custodian

<p><b>Step 1</b></p>		<ul style="list-style-type: none"> <li>• BROKER provides access to the OTC market place for trading.</li> <li>• BROKER facilitates quotes from clients and publishes them on an anonymous basis as an indication of the current market price.</li> </ul>
<p><b>Step 2</b></p>		<ul style="list-style-type: none"> <li>• Once BROKER has two or more interested clients, the price and trade terms are verified.</li> </ul>
<p><b>Step 3</b></p>		<ul style="list-style-type: none"> <li>• Once a trade has been confirmed as good, BROKER discloses the clients' names.</li> <li>• A bilateral trade is then formed between the two clients and BROKER steps out of the trade process.</li> <li>• BROKER sends a broker confirmation to each client.</li> </ul>
<p><b>Step 4</b></p>		<ul style="list-style-type: none"> <li>• At the end of the month, an invoice is sent to each client for the brokerage value for their trading activity.</li> </ul>

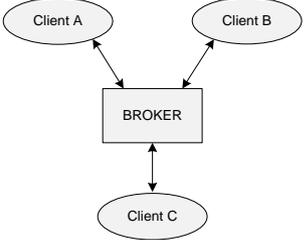
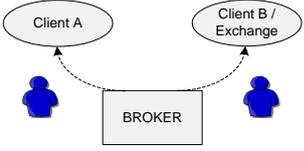
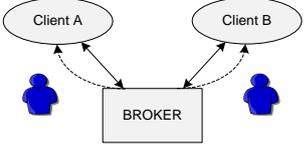
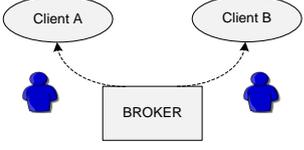
## 1.4 Matched Principal

In the matched principal model, the broker facilitates its clients in anonymous trading activity in cash products by taking part in a matched transaction as principal. The broker can provide for its client's an indication of market prices and volumes for OTC cash products (e.g. investment grade bonds), or for exchange traded cash equity products the client can use the exchange as an indication of the market.

The broker will not trade speculatively for a client or for his own book in the market. The trade will only be executed as a result of a firm client order to buy or sell at a set price or size. Once the trade is complete, price, volume and terms are communicated through the broker and back office confirmations.

Settlement is made between each client based on the market convention, with the brokerage fee being either incorporated in the all-in price, passed to the client through a disclosed brokerage or invoiced on a monthly basis.

### 1.4.1 Example: Matched Principal

<p><b>Step 1</b></p>		<ul style="list-style-type: none"> <li>• BROKER provides access to the OTC market place for the trading of illiquid cash fixed income transactions.</li> <li>• BROKER facilitates quotes from clients and publishes them on an anonymous basis as an indication of the current market price in the OTC market. This service is not required for Exchange based trading as the market rate is widely known.</li> </ul>
<p><b>Step 2</b></p>		<ul style="list-style-type: none"> <li>• For OTC transactions, once BROKER has two or more interested clients, the price and trade terms are verified.</li> <li>• For exchange based transactions, a firm client order is given (either volume or price) prior to the execution of the order against the exchange.</li> </ul>
<p><b>Step 3</b></p>		<ul style="list-style-type: none"> <li>• Once BROKER is certain of execution (or potential for execution) on both sides of an OTC trade, it confirms the trade against the two clients.</li> <li>• BROKER sends a confirmation to each client of the principal transaction.</li> </ul>
<p><b>Step 4</b></p>		<ul style="list-style-type: none"> <li>• Settlement is made with each client based on the market convention.</li> </ul>

## 1.5 Exchange Give-Up

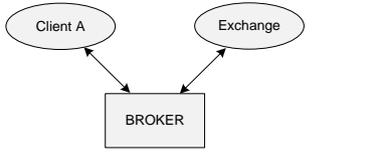
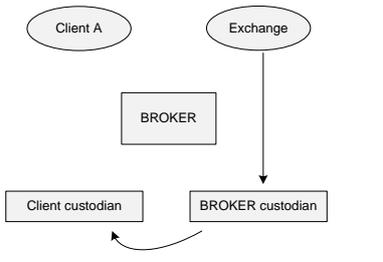
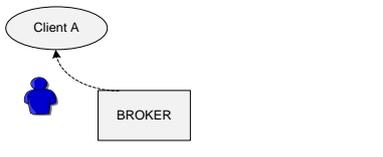
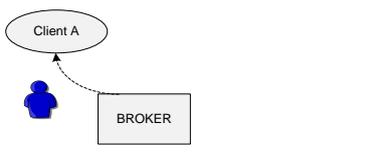
In addition to name passing and matched principal brokerage models, brokers can facilitate the trading activity of their clients on derivative exchanges (e.g. Euronext, Eurex, CME). Upon receiving the relevant price information from the broker, the client will instruct the broker to place an order on the appropriate exchange, either in its own name (if a member of the exchange) or through a third party. The broker can provide the client with an indication of the market based on the current price and volume activity on the exchange.

Once the execution has occurred, the executed position is then given-up to the client through the clearing services of the exchange clearing house. This process typically occurs within the day and so the broker will have no house position at the end of each day and will be flat. During the give-up process the broker will maintain a daylight position until the trade is taken up by the client.

At the end of each month, the broker will invoice the client for the trading activity during that month.

A derivation of this business model is where OTC trades are crossed on the exchange to provide the clients with a settlement process through a central counterparty (CCP settlement)

### 1.5.1 Example: Exchange Give-Up

<b>Step 1</b>		<ul style="list-style-type: none"> <li>• BROKER provides an indication of the current trading level on the exchange to their clients, if required.</li> <li>• BROKER, on the back of a client order, hits/lifts the price and quantity on the exchange.</li> </ul>
<b>Step 2</b>		<ul style="list-style-type: none"> <li>• Once BROKER has executed the trade on the exchange, it is delivered directly into BROKER's house account at their custodian for that exchange.</li> <li>• BROKER then instructs for the onward delivery of the trade to their client's custody account.</li> <li>• The client acknowledges the trade and takes the position into their accounts.</li> <li>• BROKER is now in a flat trading position.</li> </ul>
<b>Step 3</b>		<ul style="list-style-type: none"> <li>• BROKER sends a broker confirmation to the client.</li> </ul>
<b>Step 4</b>		<ul style="list-style-type: none"> <li>• At the end of the month, an invoice is sent to the client for the brokerage total for their trading activity.</li> </ul>

## Annex 3

ICAP has access to the following Exchanges and external MTF's. This list is not intended to be exhaustive:

### Equities

<ul style="list-style-type: none"> <li>• Athens Stock Exchange</li> <li>• Australian Securities Exchange</li> <li>• BATS Chi-X Europe</li> <li>• BME - Bolsas y Mercados Espanol</li> <li>• Borsa Italiana</li> <li>• Borsa Istanbul</li> <li>• Bucharest Stock Exchange</li> <li>• Budapest Stock Exchange</li> <li>• Bulgarian Stock Exchange</li> <li>• Deutsche Borse Xetra</li> <li>• Euronext - Amsterdam</li> <li>• Euronext - Brussels</li> <li>• Euronext - Lisbon</li> <li>• Euronext - Paris</li> <li>• Hong Kong Stock Exchange</li> <li>• Irish Stock Exchange</li> <li>• Johannesburg Stock Exchange</li> <li>• London Stock Exchange</li> <li>• London Stock Exchange International Order Book</li> </ul>	<ul style="list-style-type: none"> <li>• NASDAQ</li> <li>• NASDAQ OMX Copenhagen</li> <li>• NASDAQ OMX First North</li> <li>• NASDAQ OMX Helsinki</li> <li>• NASDAQ OMX Stockholm</li> <li>• NYSE</li> <li>• Oslo Bors</li> <li>• Prague Stock Exchange</li> <li>• Singapore Exchange</li> <li>• Swiss Exchange</li> <li>• Tel Aviv Stock Exchange</li> <li>• Tokyo Stock Exchange</li> <li>• Toronto Stock Exchange</li> <li>• TSX Venture Exchange</li> <li>• Turquoise</li> <li>• Vienna Stock Exchange</li> <li>• Warsaw Stock Exchange</li> </ul>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

## Derivatives

<ul style="list-style-type: none"><li>• Australian Securities Exchange</li><li>• Baltex</li><li>• CBOE Futures Exchange (CFE)</li><li>• Chicago Board of Trade Exchange (CBOT)</li><li>• Chicago Mercantile Exchange (CME)</li><li>• Eurex AG</li><li>• Euronext Amsterdam</li><li>• Euronext Paris</li><li>• European Energy Exchange (EEX)</li><li>• Hong Kong Futures Exchange (HKFE)</li><li>• ICE Futures Europe</li><li>• ICE Futures US</li><li>• Italian Derivatives Exchange Market (IDEM)</li><li>• Johannesburg Stock Exchange</li></ul>	<ul style="list-style-type: none"><li>• London Stock Exchange Derivatives Market</li><li>• MEFF Exchange</li><li>• Montreal Exchange</li><li>• Nasdaq OMX Commodities</li><li>• Nasdaq OMX Stockholm</li><li>• New York Board of Trade (NYBOT)</li><li>• New York Commodities Exchange (COMEX)</li><li>• New York Mercantile Exchange (NYMEX)</li><li>• New Zealand Exchange</li><li>• Osaka Exchange</li><li>• Singapore Exchange (SGX)</li><li>• South African Futures Exchange (SAFEX)</li><li>• Tokyo Financial Exchange (TFX)</li><li>• Tokyo Stock Exchange (TSE)</li></ul>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------