OTF ORDER EXECUTION POLICY

M2 06/08/24

Introduction

Under the rules set down by the Financial Conduct Authority ("FCA") Vantage Capital Markets LLP ("VCM", "We") is required to put in place an Order Execution Policy ("this Policy"). The aim of this document is to set out in sufficient detail and in an easy to understand way how we will handle the execution of our clients' orders. This Policy should be considered alongside our Client Agreement/Terms of Business which are available on our website (www.vcmllp.com) or on request (compliance@vcmllp.com).

Scope

This Policy is applicable to all orders in Financial Instruments (see Annex 1) received from, and executed on behalf of, our Professional Clients.

For an instruction from a client to buy or sell a Financial Instrument to constitute a client order, the following must be in place:

1. An up to date Client Agreement.
2. The client's acknowledgement and agreement to this "Order Execution Policy".
3. The instruction must be transmitted in a proper manner, as set out in the Client Agreement, in a recordable medium accepted by us.
4. The instruction must be transmitted to an authorised member of VCM's broking staff by a person authorised by the client.
5. The instruction must be acknowledged and accepted by VCM.

Regulatory Context

We do not execute client business against our own capital. We only trade on 'own account' when transacting business as a matched principal. We understand 'matched principal' as;

"a transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never itself exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than previously disclosed commission, fee or charge for the transaction" (FCA Glossary)

This Policy

The content of this document, prepared in accordance with the requirements of Article 27 of MiFID II and FCA Conduct of Business rules, affirms our existing approach to execution and reflects our everyday practice when dealing with you. The Policy should be read in conjunction with the Vantage Capital Markets LLP (VCM) Terms of Business.

VCM's intention is, so far as possible, to apply consistent standards and operate the same processes across all markets in which we operate. We also intend 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 we know of your own trading intentions, and the kind of orders that you may place, mean that different factors will have to be considered in relation to any transaction we may undertake with or for you.

Client Category

VCM is required by the FCA to categorise each of its clients. This will be reflected in our Client Agreement. We do not transact business with Retail Clients and therefore only transact business with those clients that fulfil the criteria of a Professional Client or an Eligible Counterparty ("ECP").

We recognise that the obligation with respect to best execution differs between the categories of clients, which is reflected in this Policy.

Once a client is classified as an ECP 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 considered at the time, but we may decline to provide a service should a re-classification be requested.

Best Execution

It has always been a fundamental principle of our business that we will take all sufficient steps to obtain, when executing orders, the best possible result for our clients considering:

1. Price.
2. Costs.

3. Speed.
4. Likelihood of execution and settlement.
5. Size.
6. Any other factor relevant to the execution of the order.

We will also consider, when executing orders, the explicit external costs of a transaction which include:

1. Commissions passed on by intermediaries.
2. Fees.
3. Taxes.
4. Clearing and settlement cost.

When providing brokerage services to you in relation to Financial Instruments, we will take sufficient steps to achieve the best overall trading result. This means that we will aim to provide best execution subject to and considering the nature of your order, the prices available in the market, the nature of the market in question and a reasonable assessment of the sometimes overlapping and conflicting execution factors. We may conclude in some cases that price may be less important than size in illiquid situations. We will, as a matter of course, check and monitor the fairness of prices proposed as well as gather the market data used in the process of estimation of prices.

We will, where there is a **specific instruction** from the client, execute the order following the specific instruction. This may prevent us from implementing our execution policy and lead to **best execution** not being achieved.

Trade allocation, timely allocation

FCA Principles require firms to conduct their businesses with integrity and treat their customers fairly. In applying these principles to when VCM aggregates and subsequently executes an order for a client (including an Eligible Counterparty) with another client order, we will allocate the investment concerned fairly to the clients concerned. Comparable client orders communicated to VCM in the same form will be carried out sequentially and all client orders handled in a timely fashion, unless the characteristics of the order or prevailing market conditions make this impracticable, or the interest of the client requires otherwise

Aggregation

As a rule, we will not aggregate orders if it is likely to work to the disadvantage of any of our clients. However, we have specifically disclosed in our terms of business that we may aggregate client orders with other client orders and that such aggregation may, on occasions, work to a client's disadvantage.

Allocation

When allocating an aggregated transaction, we will not give unfair preference to any client.

Execution Factors

VCM will consider several additional factors when seeking to deliver best execution:

1. The characteristics of the client.
2. The characteristics of the client order.
3. The characteristics of the financial instruments that are the subject of that order.
4. Price and cost of execution.
5. When executing orders or taking decisions to deal in bespoke products, VCM shall check the fairness of the price proposed to the client by gathering market data used in the estimation of the price.

Exemption from the provision of Best Execution

VCM will within our Client Agreement confirm the client category assigned to the client. We do not deal with clients categorised as Retail Clients. Each client will agree with us in which client category they fall before any business can be transacted. We will always treat our clients fairly, but we will not owe clients **best execution** in certain circumstances. We will in these cases always manage any conflicts of interest appropriately and we will take all steps to prevent conflicts from adversely affecting the interests of our clients.

The circumstances in which **best execution** will not arise are as follows: -

1. If you are classified by VCM as an Eligible Counterparty.
2. Where we supply or respond to a "request for quote" and unavoidable conflicts of interest arise, for example where we have received a quote from a counterparty on a restricted basis. In these cases, we will take all appropriate steps to identify and manage those conflicts.
3. Where we merely provide prices to a client at which a counterparty is willing to buy or sell or where the client contacts us in an unsolicited way and asks us to provide a quote for a particular Financial Instrument.

4. In the wholesale derivatives and bond markets (and for the avoidance of doubt this would include derivatives in Equities, Energy and Commodities) in which VCM operates on a "request for quote" basis, it is normal market practice for buyers and sellers to "shop around" by approaching several brokers/dealers for a quote. In these circumstances VCM is under no obligation to provide the buyer/seller with a comparison of its prices with those of its competitors (and there is no expectation between the parties that the broker/dealer chosen will owe a best execution obligation). 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.
5. Where you provide instructions or where VCM provides either "an indication of interest" or a "request for quote" that you accept by executing a transaction, VCM will not in general be executing your order. In these circumstances, VCM will take your best interests into account but will not be deemed to be acting on your behalf and the best execution responsibilities will not apply.
6. Brokers acting in a name passing capacity 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.
7. Where VCM is required to unwind a client position (for example, where a client is in default under a contractual obligation) VCM will not owe that client a duty of best execution in relation to the trades undertaken to unwind the position.
8. Where any of the other exemptions mentioned in the Policy apply.

Order Handling

The FCA requires us to set out in our Execution Policy how we will execute client orders and what factors we will consider. We will normally receive orders with some degree of reference to the Financial Instrument, the price, the size of the order or all three. Where the client gives us guidance outside a specific instruction, we will follow that guidance as closely as possible.

VCM also receives orders that react to indications of interest or as a result of a request for quote. We may also receive simple indications of interest that become actionable and become firm orders.

We will tailor our execution strategy according to the:

1. Class of Financial Instrument.
2. Level of instruction the client has given – specific or guidance.
3. The size of the client's order in relation to the liquidity in the market place.
4. The time scale the client has indicated.
5. The timescale it would be appropriate to use to complete the order.

VCM will habitually use the venues disclosed in this policy but also where appropriate, and where we feel that a better result for the client will be achieved, the "call around" market.

We will use different strategies for different financial instrument classes. Indeed we may adopt different strategies for two financial instruments within the same financial class of instruments. For example, in the equities market there are shares with a high degree of liquidity where it is entirely possible to execute a trade in one hit, and other shares where the same notional amount will take several hours to trade.

In exchange traded instruments, and where technology allows us, we may use a variety of strategies to achieve best execution. The choice of these strategies will differ between exchanges, type of financial instrument, state of the market and sometimes time of the day. The strategies available to us may include the following:

1. Iceberg orders.
2. Percentage of the volume.
3. Limit orders.
4. Market on close.
5. VWAP volume weighted average price.
6. TWAP time weighted average price.
7. Fill or kill.

OTC and Organised Trading Facility ("OTF")

VCM operates an OTF. An OTF is specifically designed as a venue for non-equity family products that were previously traded on an over the counter basis (OTC). The FCA has prescribed that this type of business must be transacted over a venue and can no longer, unless on a completely bilateral basis, be transacted in "the dark" or away from a venue.

An OTF is a multilateral trading facility which is not a Regulated Market ("RM") or an MTF and in which multiple third party buying and selling interests in bonds, structured finance products and derivatives (not exhaustive) can take place. Unlike RMs and MTFs, operators of an OTF have discretion as to how to execute orders – subject to pre- and post-trade transparency and best execution obligations. VCM's use of discretion is clarified in Annex 2. VCM is further subject to the regulatory obligations set out in **MAR** 5A. The OTF:

1. Is technology neutral.
2. Brings multiple clients together.
3. Allows clients to engage with other parties in a "lit" market.

4. Allows VCM discretion on placing, withdrawing and matching orders.

VCM engages its clients, whether or not on the OTF, as a voice broker. We may arrange trades on a 'name passing' basis. However, there are two other brokerage business models, 'matched principal' and 'exchange give-up', we may use.

Brokerage Models

Name Passing

The name passing model is where 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 discussion with the broker (or with the direct 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 parties for the brokerage fees.

Matched Principal

A matched principal transaction is where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never itself exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction.

Exchange Give-Up

In addition to the name passing and matched principal brokerage models, brokers can facilitate the trading activity of their clients on derivative exchanges (e.g. LiFFE, Eurex, CME, etc). 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 trading day and so the broker will have no house position at the end of each day. 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).

ANNEX 1

Financial Instruments which may be executed by VCM as defined by MiFID

1. Transferable securities;
2. Money-market instruments;
3. 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;
4. 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 because of a default or other termination event);
5. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled if they are traded on a regulated market and/or an MTF;
6. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in 5 above 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;
7. Derivative instruments for the transfer of credit risk;
8. Financial contracts for differences;
9. 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 OTF or MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

ANNEX 2

Use of Discretion by Vantage Capital Markets LLP in relation to OTF Business

Pursuant to Article 20(6) of MiFID II, execution of orders in an OTF will be carried out on a discretionary basis by the operator of the OTF. When carrying on OTF business, Vantage Capital Markets LLP uses a combination of order level and execution level discretion; namely:

(a) when deciding to place an order into or retract an order from the OTF (Order Level Discretion); and/or

(b) when deciding not to match a specific client order with other opposite orders available on the systems at a given time (Execution Level Discretion).

The discretion exercised in respect of OTF business will be conducted in accordance with the best execution requirements under MiFID II, when they apply, and as set out in this Policy.

The OTF supports various trading systems through which orders or indications of interest (Trading Interests) can be submitted by venue users or brokers on behalf of venue users and where they can interact with other Trading Interests (as part of the matching and execution process).
The nature of the discretion exercised will depend on the combination of trading systems used for a particular market segment (or sub-segment). In particular, each of the specific trading systems will enable the relevant broker to exercise discretion in different ways.

Order Level Discretion

Order Level Discretion may be exercised by brokers that sit within the OTF (Executing Brokers). The operator of the OTF will have exercised Order Level Discretion in respect of Trading Interests whenever they have been placed in the OTF by an Executing Broker or removed from the OTF by an Executing Broker.

The operator of the OTF may establish parameters for trading by users of the OTF, which take account of the characteristics of the users and the market segment, which may be applied by the systems of the OTF to accept or reject Trading Interests. Trading Interests that are rejected will be reviewed by an Executing Broker or a person acting under their supervision.

If an Executing Broker determines at any time that a Trading Interest that has already been placed in the OTF (through any of the trading systems) should be removed, having regard to any applicable best execution requirements under MiFID II and as set out in this Policy, the Executing Broker will have discretion to reject that Trading Interest entirely or to remove the Trading Interest and, where applicable, to send it to another execution venue. The availability of other execution venues will vary according to the product being traded and the extent of external liquidity, as well as any applicable best execution requirements under MiFID II and as set out in this Policy.

An Executing Broker may remove a Trading Interest from the OTF if, for example, the Executing Broker is aware that the venue user does not wish to be exposed to particular positions under certain market conditions. If such market conditions occur, the Executing Broker may remove that venue user's Trading Interests from the OTF.
As another example, if the speed of execution is a priority for a Trading Interest and there is greater liquidity at another venue available to the Executing Broker, the Executing Broker may remove a venue user's Trading Interest from the OTF and submit it to that other execution venue, improving the likelihood of execution. If an Executing Broker rejects or removes a Trading Interest from the OTF, then it may be executed in accordance with any of the methods set out in this Policy. Execution Level Discretion may be exercised by Executing Brokers by determining that an order submitted to the OTF and matched with an opposing order in the OTF should not be executed against that other order. The Executing Broker will have regard to any applicable best execution requirements under MiFID II and as set out in this Policy. The factors that are relevant are those derived from any applicable best execution requirements under MiFID II and as set out in this Policy. An example of the exercise of Execution Level Discretion in the OTF may include the determination that an order could be executed at a better price if it were to be broken into child orders.