

# **ORDER EXECUTION POLICY**

## **I. Introduction**

This Order Execution Policy (the “Policy”) is issued pursuant to, and in compliance with, Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID II), other relevant regulations and guidelines issued by the European Securities and Markets Authority (“ESMA”), and the Cyprus Securities and Exchange Commission legislation implementing MiFID II (hereinafter collectively referred to as the “MiFID II Framework”) that applies to BrightFX Capital Limited (hereinafter referred to as “BrightFX” and / or the “Company”).

BrightFX is authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under [licence number 342/17](#). The Company operates through an online trading platform available on its website [www.tradefred.com/eu](http://www.tradefred.com/eu) and offers its services under the brand name “TradeFred”.

This Policy provides an overview of how BrightFX executes orders on behalf of clients, the factors that can affect the timing of execution and the way in which market volatility plays a part in handling orders when buying or selling a financial instrument.

BrightFX shall review this Policy at least annually and shall update it whenever any material change in the Company’s execution processes is taking place. Material change includes changes to top five venues and investment firms, changes to instruments in the scope of this Policy and changes to the importance of Execution Factors. The Company shall notify its Clients of any material changes to this Policy.

## II. Purpose

The purpose of this Policy is to establish effective arrangements for obtaining the best possible result for the Company's clients taking into account execution factors. The execution factors to be taken into account are price, cost, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. More specifically, the Policy will describe procedures and practices established by the Company on identifying and utilizing execution factors and criteria and considering their relative importance upon execution of Clients' orders.

Furthermore, the Policy sets out the monitoring and review processes established in order to review the quality and appropriateness of the Company's execution arrangements and policies established with the aim to secure best execution.

This Policy shall be read alongside the Company's [Client Agreement](#) and contains further details on the services and activities the Company offers to its Clients. Furthermore, this Policy is intended to explain clearly and in sufficient detail how Clients' orders will be executed when Clients are dealing with the Company.

## III. SCOPE

When dealing with clients, BrightFX has a general duty to act honestly, fairly, professionally and in the best interest of the client. BrightFX is required to take all sufficient steps to obtain the best possible results on a consistent basis in relation to the investment services it offers to its Clients in the financial services and products it makes available through its trading platform.

### 3.1. Clients

The provisions of this Policy apply to all Clients of the Company classified as Retail or Professional Clients as these are defined under the MiFID II Framework. It is noted that the Policy does not apply to Clients classified as Eligible Counterparties.

### 3.2. Financial Instruments and Products

The Policy applies to Client orders for the Financial Instruments which the Company is authorized to provide, being as follows:

- (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, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;

(5) Options, futures, swaps, forwards 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 other than by reason of 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, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;

(7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6) of this Part and not being for commercial purposes, which have the characteristics of other derivative financial instruments;

(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 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 other than by reason of 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 Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;

However, it is noted that currently the Company offers to its Clients solely financial instruments in the class of Financial contracts for differences (CFDs). Therefore, the present policy is designed to give detailed information on the best execution factors for this specific class of Financial Instrument.

### 3.3. Services

Under the MiFID II Framework, the Company is obliged to offer best execution in regards to the below investment services offered to the Company's Clients under the its licence:

- **Reception and transmission of orders in relation to one or more financial instruments** - The Company has a duty to act honestly, fairly and professionally in accordance with the best interest of its Clients when receiving and transmitting Client orders to other entities for execution (the "best interest obligation").
- **Execution of orders on behalf of clients** - The Company has an obligation to execute orders on terms most favourable to the Client when executing orders on behalf of Clients (the "best execution obligation").
- **Dealing on own account** - Dealing on own account with clients shall be considered as the execution of client orders, and is therefore subject to the requirements under MiFID II, in particular, those obligations in relation to best execution. Therefore, when dealing on own account, the Company has an obligation to execute orders on terms most favourable to the Client (the "best execution obligation").

Dealing on own account when executing client orders includes the execution by the Company of orders from different clients on a matched principal basis (back-to-back trading). Such activities are regarded as acting as principal and are subject to the requirements in relation to both execution of orders on behalf of clients and dealing on own account.

## IV. Execution Factors

Under the provisions of the MiFID II Framework, the Company shall take all sufficient steps to obtain, when executing orders, the best possible results for its clients taking into account the execution factors.

The execution factors the Company considered in this regard, include but are not limited to:

- Price
- Costs
- Speed of execution
- Likelihood of execution
- Likelihood of settlement
- Size
- Slippage
- Aggregation
- Client Categorization
- Nature or any other consideration relevant to the execution of an order.

Details of the above factors and how the Company interprets them are presented below:

### 4.1. Price

The Company's execution price for a given CFD is established by reference to the price of the relevant underlying asset, which the Company obtains from its liquidity provider/execution venue. The Company's post trade prices can be found on the reporting system the Client is using. Pre-trade indicative prices are streamed by the Client's technology provider directly to the Client's trading platform/system. The Company updates its liquidity provider's prices as frequently as the limitations of technology and communications links allow. The Company reviews its liquidity provider's prices on a regular basis through a benchmarking exercise, to ensure that the prices offered to its clients continue to remain competitive.

The Company will make every attempt to execute a client's order at their requested price. Where possible the Company will fill the client at an improved price, but there will be times due to market slippage or a price error when this will not be possible or indeed the fill may be worse than expected.

### 4.2. Cost

For opening a position in some types of CFDs, the Client may be required to pay commission, a spread or financing fees. Commissions may be charged either in the form of a percentage of the overall value of the trade or as fixed amounts per units of volume traded. In the case of financing fees, the value of opened positions in some types of CFDs is increased or reduced by a daily financing fee “swap rate” throughout the life of the contract. Financing fees are based on prevailing market interest rates, which vary over time. For the CFDs offered by the, the commission or financing fees may not be incorporated into the Company’s quoted price and are instead charged explicitly to the Client account.

Information on the costs and associated charges is available on the [Trading Conditions](#) page of the Company’s website.

### **4.3. Speed**

The Company acts as a principal and not as an agent on the Client’s behalf. Contractually the Company is the sole counterparty to the Client’s trades and any execution of orders is done in the Company’s name. As long as there is no interruption to internet connections, unintentional or otherwise, then the Client should get a fast and seamless execution of their order or trade. If, however there is delay in that connection causing latency or erroneous pricing then the order or trade may be rejected or filled at a different but correct price at that time. The result for the Client is that their orders are delayed and executed at a better or worse prevailing market price that is offered by the Company via its platform.

### **4.4. Size**

Depending on the size of the trade there may be restrictions on the Company’s ability to fill an order or trade at the requested price. Under normal circumstances the Company will not issue partial fills and instead offers its Clients a price with a minimum and maximum deal size.

All orders are placed in monetary value. The Client will be able to place their order as long as they have enough balance in their trading account. If the Client wishes to execute a large size order, in some cases the price may become less favourable considering the feed obtained from its price provider.

### **4.5. Likelihood of execution**

The Company relies on its liquidity provider/s for prices and available volume of the different financial instruments offered through its trading platform. Therefore, the execution of Clients’ orders will depend on whether there are prices and liquidity available at the time these orders are received. In some cases it may not be possible to execute an order, such as: during news times, during trading session start moments, during volatile markets where prices may move significantly up or down and away from declared prices, where there is rapid price movement, where there is insufficient liquidity for the execution of the specific volume at the declared price, when a force majeure event has occurred etc. In the event that the Company is unable to proceed with an order with regard to price or size or other reason, the Company will not send a re-quote to the Client with the price it is willing to deal, so the order will not be executed.

In certain instances, the Company may have a choice in the way in which it chooses to fill a Client's order or trade. Where possible, the Company will always choose a way which is of benefit to the Client.

#### **4.6. Likelihood of settlement**

The Company shall proceed with the settlement of all transactions upon the execution and/or time of expiration of the specific transaction. This factor is not relevant for BrightFX as it always acts as the execution venue.

#### **4.7. Slippage**

Slippage can occur at any time, during news events or when a market opens. This may result in a Client's order being triggered and/or filled at a different level from where intended. This is the situation when at the time that an order is presented for execution, the specific price showed to the Client may not be available; therefore, the order will be executed close to or a number of pips away from the Client's requested price. So, slippage is the difference between the expected price of an order, and the price the order is actually executed at. If the execution price is better than the price requested by the Client, this is referred to as positive slippage. If the executed price is worse than the price requested by the Client, this is referred to as negative slippage. It is noted that Slippage can occur also during Stop Loss orders, Limit orders, and other types of orders. The Company does not guarantee the execution of Clients' pending orders at the price specified. However, the Company confirms that Clients' orders will be executed at the next best available market price from the price specified under the pending order.

#### **4.8. Aggregation**

The Company will not execute any orders on its own account in aggregation with a Client order. If it does so, it will not aggregate orders where the likely outcome is to disadvantage the Client order.

#### **4.9. Client Categorization**

The Company will take into account the characteristics and expectations of the Client and whether they are categorized as Retail or Professional.

#### **4.10. Nature or any other consideration relevant to the execution of an order**

The Company's quoted prices which are derived from its independent price providers may be affected by various factors which could also affect the abovementioned factors. The Company will take all reasonable steps to ensure the best possible result for its clients.

## **V. Determination of Relative Importance of the Best Execution Factors**

The Company has the responsibility for assessing the relative importance of the best execution factors specified in Section IV above. When executing Client orders, the Company shall take into account the following criteria for determining the relative importance of the factors referred to in Article 27(1) of Directive 2014/65/EU:

- (a) the characteristics of the client including the categorisation of the client as Retail or Professional;
- (b) the characteristics of the Client order;
- (c) the characteristics of financial instruments that are the subject of that order;
- (d) the characteristics of the execution venues to which that order can be directed.

For Retail clients, the best possible result is determined in terms of the total consideration, where total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the Client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order.

The other execution factors of speed, likelihood of execution size, nature or any other relevant consideration will, in most case, be secondary to price and cost considerations, unless they would deliver the best possible result for the Client in terms of total consideration.

For Clients classified as Professional Clients, total consideration may not be an appropriate guide for execution in all cases, for example, speed of execution may take precedence in less liquid instruments.

## **VI. Best Execution and Best Interest per Class of Financial Instrument**

The obligation to deliver the best possible result when executing Client orders applies in relation to all types of financial instruments which the Company is authorised to offer. However, given the fact that the Company is currently offering to its Clients solely Contracts for Differences, details are presented below on how best execution and best interest are addressed among the Contracts for Difference class of financial instruments only.

### **6.1. Contracts for difference (CFD)**

#### **6.1.1. Products in scope**

This section provides further details regarding the application of best execution requirements in relation to CFDs.

**6.1.2. How BrightFX applies best execution**

The Company executes Clients’ orders on a principal basis.

**6.1.3. Relative Importance of Execution Factors**

In CFD trades for Retail Clients and Professional Clients and in the absence of any specific instructions, the Company will prioritize the execution factors as specified below.

Factor	Price	Cost	Speed	Likelihood	Size	Slippage	Other
Importance	High	High	High	High	Medium	Medium	Medium

**6.1.4. The order handling process**

Orders are transmitted for execution for any trades in CFDs in MetaTrader 4, where Clients open their trades in the platform themselves or through instructions given by the Clients to the dealing desk on the Company’s recorded telephone line.

**6.1.5. Execution venues and brokers**

The Company acts as a principal and therefore it is the sole execution venue for the execution of the Clients’ orders. In specific circumstances, the Company may route its own orders to regulated EU and Non-EU execution venues and brokers.

**6.1.6. Benchmarking and monitoring**

Best execution obligations apply to all financial instruments, irrespective of whether they are traded on trading venues or over the counter (OTC). Therefore, the Company has the obligation to gather relevant market data in order to check whether the OTC price offered for a Client is fair and delivers on the best execution obligation. Monitoring of execution quality in CFDs is based on transaction cost analysis and regular slippage reports.

**VII. Specific Instructions**

In circumstances where the Client provides the Company with a specific instruction as to how to execute an order and the Company has accepted this instruction, then the Company will execute the order in accordance with that specific instruction and the Company’s obligation to provide best execution/best interest will be considered to be discharged by virtue of the fact it is following the Client’s specific instruction.

Where a Client provides specific instructions that only cover a part of their order, the Company will apply the provisions of this Policy to the remainder of the order that is not affected by this instruction. It needs to be noted that by following the Client’s specific instruction, the Company may be prevented from taking the steps designed and implemented as described in this Policy to obtain the best possible result for the entirety of the order. In this situation, the Company can only



guarantee that the best execution obligations will be adhered to when executing the parts of the order that are not affected by the Client's specific instruction.

## VIII. Types of Orders

Given the nature of risk and volatility of financial markets, the Client may want to consider using different types of orders to limit risk and manage their investment strategies (it should be noted that the following descriptions of order types may apply only to some and not all types of financial instruments).

**Market order:** With a market order, the Client instructs the Company to execute a trade of a certain size as quickly as possible at the current market price. The Company is required to execute market orders without regard to price changes. Therefore, if the market price moves during the time it takes to fill a Client's order, the order will most likely be executed at a price different from the price when the order was entered. Execution price can be either improved, worsened or unchanged.

**At requested/ Limit order:** With an at requested order/limit order, the Client sets the maximum purchase price, or minimum sale price, at which the trade is to be executed. As a limit order might be entered to take effect at a price that is different to the current market price, the order may not be executed immediately.

With those type of orders, a Client must be aware that they are giving up the certainty of execution and are likely to receive requotes/rejects if the market price moves during the time it takes to fill their order.

**Stop order:** A stop order allows selling below the current market price or buying above the current market price if the stop price is reached or breached. A stop order is therefore a pending order until the stop price is reached or breached. When a stop order is executed, it becomes a market order and is filled as soon as possible at the price obtainable on the market. Note that this price may differ from the price you set for the order (slippage).

## IX. Execution Venues

Subject to any specific instructions that may be given by the Client to the Company and accepted by the latter, the Company may transmit an order to a third party broker or dealer, for execution at one or more of the following execution venues: a regulated market, a multilateral trading facility, a systematic internaliser, third party investment firms or other liquidity providers, credit institutions or non-EU entities performing similar functions.

In doing so, the Company must act in the Clients' best interests taking into account the execution factors and criteria described above.

Currently the Company uses the following financial institutions/execution venues:

- Leverate Financial Services Ltd (Licence number 160/11, CySEC)

The execution venue provides BrightFX with an aggregated price feed from some of the biggest market makers in the world to enable the Company to offer its Clients a price that is equal to or better than the underlying market.

### **9.1. Selection of Execution Venues and Brokers**

BrightFX engages with execution venues/brokers to enable it to deliver best execution to its Clients on a continuous basis. When the Company places or transmits orders for execution to other entities (e.g. brokers), it will ensure that such entities have policies and arrangements that enable the Company to comply with its obligations to act in the best interest of Clients when placing orders with, or transmitting orders to, other entities for execution.

The criteria applied by the Company for execution venue and broker selection, can be grouped into either the soundness or the service level of the execution venues/brokers and include the following:

#### **Soundness of the execution venue/broker**

- Reputation, financial strength and stability;
- Liquidity analysis
- Clearing schemas
- Access to primary and/or secondary markets; and
- Ongoing reliability.

#### **Service level of the execution venue/broker**

- Circuit breakers
- Overall costs of a trade including commissions, mark-ups, markdowns or spreads;
- Market share;
- Electronic connectivity;
- Block trading and block positioning capabilities;
- Willingness to execute difficult transactions;
- Willingness and ability to locate and/or commit capital to complete trades; and
- Anonymity of trading activity.

In addition, the following conditions must be met before execution venues/brokers can be approved:

- Accurate and timely execution, settlement, clearance and error/dispute resolution processes;
- Licensed, as required, to execute the type of transaction; and
- Supervision by national authorities.

The Company will undertake regular assessments of its execution venues and brokers as well as the execution quality provided by them in order to determine whether existing venues and brokers as specified in this Policy continue to provide the best possible result for the

Company's Clients, and to review the suitability of new execution venues or brokers. The assessment will take into consideration the criteria listed in this Section 9.1. of the Policy.

Where applicable, the Company will take steps to avoid structuring or charging commissions in such a way as to discriminate unfairly between execution venues.

## **9.2. List of execution venues and brokers**

As specified above in the present Policy, currently the Company is using the following financial institutions/execution venues:

- Leverate Financial Services Ltd (Licence number 160/11, CySEC)

Using a single execution venue requires the Company to demonstrate that such centralization is not preventing the Company to get the best possible results for its Clients on a consistent basis. In order to comply with the requirement to act in the best interests of its Clients, the Company will regularly assess the market landscape to determine whether or not there are alternative venues that could be used.

## **X. OTC Execution**

The Company may execute or transmit Client orders outside of trading venues and carry them out over the counter (OTC) instead, provided that the Client's express consent is obtained. OTC transactions may be subject to increased counterparty risk and settlement risk, as these transactions are not covered by the clearing and settlement rules of the relevant trading venue and central counterparty.

When executing orders OTC, the Company will check the fairness of the price proposed to the Client by analyzing market data used in the estimation of the price of such product and, where possible, by comparison with relevant products.

## **XI. Trading obligation**

In instrument classes subject to trading obligations under MiFID II, the Company will ensure orders are not executed OTC, but instead processed on a trading venue in accordance with the specific requirements.

## **XII. Monitoring of execution quality**

As part of the Company's efforts to deliver the best possible execution for Clients at all times, the Company has implemented a range of initiatives to monitor execution quality.

For all Financial Instruments, pre-trade processes in the form of internal policies have been designed and implemented. Furthermore, real time monitoring (limit warnings) are applied for all Client orders. In addition, post-trade monitoring of execution quality based on sample testing, price comparison, benchmarking, review of execution quality statistics related to frequency of rejections, re-quotes, symmetry and etc. is performed periodically and results of the monitoring are reported to the Senior Management at least monthly.

### **XIII. Execution process control**

The Investment Committee in BrightFX is overall responsible for the best execution process of the Company. This includes the responsibility to continuously monitor and review execution quality and the appropriateness of existing execution procedures. The Committee is further responsible for improving execution procedures where possible.

### **XIV. Prohibited Practices**

With respect to the trading procedures in regard to best execution and best interest and the execution venues/brokers engaged in the process, the Company prohibits the below listed practices:

- the Company may not direct orders to brokers in return for any gifts or entertainment;
- the Company may not direct orders to brokers if any conflict of interest exists which cannot be mitigated;
- the Company may not receive any remuneration, discount or non-monetary benefit for routing client orders to brokers or execution venues which would infringe the requirements on conflict of interest or inducements.
- The Company may not structure or charge commissions in such a way as to discriminate unfairly between execution venues.

### **XV. Public Reporting Requirements**

In accordance with the MiFID II framework, the Company is required to make public on an annual basis, for each class of financial instruments, the top five investment firms in terms of trading volumes where it transmitted or placed Client orders for execution in the preceding year and information on the quality of execution obtained. This information shall be presented separately for Retail and Professional Clients.

Such information is published on the Company's website, and is available for downloading by the public from the below links:

- [2018 Top Five Execution Venues – Retail Clients](#)
- [2018 Top Five Execution Venues – Professional Clients](#)

Similar information will be reported with respect to the top five investment firms (e.g. brokers) where they transmitted or placed Client orders for execution in the preceding year and is available for downloading by the public from the below links:

- [2018 Top Five Brokers – Retail Clients](#)
- [2018 Top Five Brokers – Professional Clients](#)

In addition, best execution monitoring summary analysis is made available to the public on the Company's website through the below link:

[http://brightfxcapital.com/pdf/BrightFX\\_RTS\\_28\\_Summary.pdf](http://brightfxcapital.com/pdf/BrightFX_RTS_28_Summary.pdf)

## **XI. Information on the quality of execution of transactions**

The MiFID II framework requires that for Financial Instruments subject to the trading obligation, each trading venue and systematic internaliser, and for other Financial Instruments each execution venue, makes available to the public, data relating to the quality of execution of transactions.

Such information shall be published (on a quarterly basis) for each trading day, in a machine-readable electronic format, available for downloading by the public. The Company will publish such information on the Company's website where this obligation is relevant to the Company. The report is available on the Company's website under the heading [RTS 27 reports](#).

Furthermore, BrightFX Clients may make a reasonable and proportionate request for information to the Company about its execution policies and instructions and how these are reviewed. Clients may ask the Company to demonstrate that the Client's order has been executed in accordance with this Policy.

### **Definitions**

**MTF:** Multilateral Trading Facility. A multi-lateral system, operated by an investment firm or market operator, which brings together multiple third-party buying and selling interests in financial instruments in a way that results in a contract in accordance with the provisions of Title II of MiFID II.

**OTF:** Organized Trading Facility. A multi-lateral system which is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in a system in a way that results in a contract in accordance with Title II of MiFID II