

## SUMMARY ORDER EXECUTION POLICY

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This is the Summary Order Execution Policy of London Capital Group Limited.

### 1. Introduction

In accordance with MiFID guidelines and the Financial Conduct Authority (FCA) rules concerning its implementation in the UK, London Capital Group Limited (LCG) is required to inform its clients (you) as to the policies for execution of client Trades and Orders.

This policy should be read in conjunction with the Client Agreement including our Terms and Conditions and if there is anything you do not understand please contact our Customer Support. In the event of a disagreement between this policy and the Terms and Conditions, then the Terms and Conditions shall prevail.

### 2. London Capital Group Limited

LCG provides contracts for differences (CFDs) and spread bets to its clients covering a wide variety of financial markets and instruments. Every market quoted by LCG is derived directly from an underlying financial instrument sourced from an exchange or from a wholesale quoting counterparty (i.e. FX quoting banks). LCG decides which markets to quote, the times at which those markets are quoted and LCG publishes via its trading platforms those quotes on which clients may be able to trade.

At times the underlying financial instrument on which LCG derives its quotes may not have a functioning or open market or exchange. In such cases, LCG will determine a fair two-way price based on various factors such as price action on other correlated markets that are open at that time, client trading flow, news releases and other market influences.

LCG is the counterparty (or 'principal') to every trade. This means that you must open and close each and every trade with LCG and cannot close an open trade made with LCG with a third party (i.e. a different CFD or spread betting provider) and vice versa.

LCG is regulated by the Financial Conduct Authority (the FCA) and, as a regulated entity, LCG is required to take all sufficient steps to ensure the best possible result when executing client instructions.

### 3. Order Execution Policy

When LCG opens and closes transactions for you, it will take all sufficient steps to achieve the best possible result for you by opening and closing those transactions according to our Order Execution Policy and subject to any specific instructions received from you. In all other circumstances, when LCG executes a transaction or order for you it will take into consideration a number of factors that allow it to offer the best possible result. For both retail and professional clients, this will be primarily determined by the total consideration, representing the price of the financial instrument and the costs (spread or commission) related to the execution. In addition, depending on the type of order provided, such as 'Market Orders' or 'Stop loss orders' LCG will consider the speed of execution, when assessing how to achieve the best possible result.

In determining the importance given to other factors LCG will exercise its commercial judgement in assessing other factors impacting the likelihood of execution and settlement, such as, the size and nature of the transaction or order, liquidity in the underlying market and the availability of price improvement, in order to obtain the best result for the client. For example, LCG may prioritise such other factors where there is insufficient immediately available liquidity to execute an order in full, where we are instructed to work an order over a period of time or by reference to a benchmark calculated over a period of time or where we determine that there are other circumstances such that obtaining the

best immediately available price may not be the best possible result for a client.

In addition, in the case of a 'Market Order' placed on an instrument where there is insufficient liquidity available to fill the order in full without materially impacting the price of the underlying market, then LCG may prioritise attaining the best possible price of the order rather than taking that which is immediately available and may therefore 'work' the order over a period of time as deemed appropriate given the size and nature of the order.

Conversely, LCG may determine that the speed and likelihood of execution of execution and settlement should take precedence over price if required to ensure the best possible result. Such as case could be in a volatile product that is illiquid and has fallen sharply triggering a 'Stop loss order'.

### **Price and Costs**

One of the main ways LCG ensures that its clients obtain the best execution is by paying due regard to the underlying market price of the related instrument on which LCG derives its bid/offer quotes and uses to execute client transactions. LCG utilise a number of different data sources to ascertain the market price which is determined on the best bids, best offers and liquidity.

With some financial instruments, there may be times where a client sends a transaction request at a time when there is no functioning or open market or exchange on which the reference product is traded. In such cases, LCG sets out to determine a fair market price based on a number of factors, for example, price movements on associated markets and other market influences, including information about flow received from LCG's clients.

If you place an order via the trading platform, and it is accepted then assuming there is no 'price error' and subject to having sufficient available margin resource, your transaction will be executed in accordance with the order type sent:

- Instant Order; the order will be filled at the price requested by you or better if an improvement is available.
- Market Order; the will be filled at the prevailing market price once we have received your order.

If your order is made over the telephone then, assuming there is no 'price error', your transaction will be executed at the price quoted and confirmed by the dealers or as per the instructions left by you. For our pricing policy please see clause 6.

All costs associated with any execution as added by LCG are detailed within the Markets section of our website and are not dependent on any priority criteria chosen by LCG or execution method or venue, such as executing a hedge versus retaining the principal risk. More information regarding our costs (spreads) can be found in our Market Information pages via the website.

### **Speed**

Whether or not LCG hedges its principal exposure in the market, the speed with which the trade is executed, whilst also being mindful of price, is of high importance. Where clients request to trade using a 'market order', specifying direction and size only, then LCG may prioritise speed above that of price. This will be assessed with reference to market conditions, taking consideration of the liquidity of the market, size of the order, availability of price improvement and the potential impact on total consideration. This may be the case for a large order on an illiquid instrument when a 'stop loss order' has been activated.

### **Transaction Size and Nature**

All transaction execution is subject to size considerations. If the requested transaction size is larger than LCG is able to trade in the 'underlying market' on the relevant exchange at that time then the entire transaction or order may be rejected but LCG may offer greater liquidity than the 'underlying

market' at its discretion. Every market quoted by LCG has an absolute minimum permitted and this can be found by clicking on the information icon button associated with each market. The maximum transaction size may vary due to market conditions and is, at all times, at the discretion of the LCG dealers.

In the event of a transaction request of unusual size or where the market in which the transaction has been requested is illiquid or very volatile LCG may prioritise price over speed of execution and may, at its sole discretion, only accept the transaction after LCG has covered the exposure in the underlying market, see section 5.

#### **Likelihood of Execution and Settlement**

In almost all circumstances, so long as you have sufficient margin available on your account for the transaction and so long as the transaction size requested is equal to or under size permissible in the 'underlying market' at that time, your transaction will be executed automatically at the level requested or prevailing market level in case of a 'market' order request. Where a transaction request exceeds certain size parameters as determined by LCG and based on typical liquidity in the underlying instrument, LCG may prioritise the likelihood of execution and settlement over speed and refer the request to LCG's dealers for confirmation.

In certain circumstances due to speed of internet communications, market volatility or in the case of deliberate manipulation of LCG quoted prices a transaction request may be rejected if the price requested to enter into a transaction is not representative of the 'underlying market' price when received by LCG.

On rare occasions LCG may provide a partial fill of a transaction request as an alternative to an outright rejection, LCG will not provide a partial fill as an alternative to filling it in its entirety.

#### **Execution Venues**

LCG assesses each execution venue that it has access to when determining the pricing and hedging of client transactions. LCG will always act in principal in respect of client transactions, and therefore may seek to act as market maker and may choose whether to hedge any/part or all of the risk in the underlying market for all account types. Where an order is 'worked', see section 5, LCG will use the hedged execution price of the related instrument as reference to the underlying market price on which LCG derives its quotes to execute the client transaction.

### **4. Trades and Orders**

There are three types of instructions that our clients may give to execute or initiate a transaction with LCG.

**Transaction** - This is where you give an immediate instruction to buy or sell on a currently quoted price. However, if the request is for an at 'Market' transaction then this is where you give an immediate instruction to buy or sell on the prevailing market price.

**Order (Standing Order)** - This is where you give an instruction to execute a transaction at a price that is not currently available in the market but may be available at a future date/time.

**Working Order** - In certain cases when the transaction size is greater than the 'underlying market' size or where the 'underlying market' is illiquid (i.e. in certain AIM or small cap stocks) or where LCG may for various reasons attempt to work an order for the client in the market at a certain price then LCG will agree a corresponding single trade price for the whole position after completion of the 'underlying market' trade.

## 5. Working Orders

In instances where a client enters into a transaction in unusually large transaction sizes, or where the client specifically requests, LCG may at its sole discretion place the orders directly into the 'underlying market' using LCG's own name to execute the transaction. LCG will only 'work' two types of orders for clients, 'Single Price' orders and 'Market Orders' and such orders will only be 'good for the day'. 'Single Price' orders are where the entire 'underlying market' order is made at an agreed pre-determined price and no other (i.e. to sell if the market reaches a certain point and to just offer at that price). Such an order may be part-filled in which case the corresponding transaction size will be applied to the client account and any remaining unfilled part of the order would be cancelled at the close of business of that trading session. 'Market Orders' are orders that are triggered at a certain price and at which point the entire order is placed into the 'underlying market' and filled at the best available price at that time. LCG will place the order on to the electronic order book for the instrument concerned or, in the case of a non-electronically traded financial instrument; will place the order with a nominated broker who has access to the market makers who provide liquidity in the instrument concerned.

In the case of electronic execution of 'Market Orders' LCG will attempt to work the order with reference to the price or costs (spread), the likelihood of execution, the expected speed of execution and the size and nature of the order. LCG will use its experience to attempt to achieve the best possible outcome in relation to the aforementioned reference points for the client. Market Orders may be subject to significant slippage and will only be filled in their entirety if there is the 'underlying market' liquidity available to achieve. The subsequent transaction will be made at a single price reflecting the average price achieved by the 'Market Order'. If at any time LCG receives a price improvement on either of these order types then this price improvement must be passed onto the client.

Both order types may be cancelled by the client at any time but once an order has been activated it is unlikely that you will be able to cancel the whole transaction and you are obligated to accept any part of a worked order that is filled prior to cancellation.

## 6. Pricing Policy

LCG quotes prices with reference to a variety of factors which include the 'underlying market' price, the spread quoted by LCG, the time to expiry of the market, any dividends, stock splits, scrip issues or special cash payments of whatever nature which occur before the expiry of the market, interest rates, competitor pricing and weight of client business.

Further information in relation to the spreads for each market may be found on our Market Information Sheets.

In exceptional circumstances (such as increased volatility or illiquidity in relation to the underlying market concerned) LCG may be forced to alter the spreads offered.

## 7. Specific Instructions

When you provide us with specific instructions as to how to execute your transaction or order, then this may prevent LCG from taking the steps as set out in this Order Execution Policy. Such instructions will take precedence over other aspects of LCG's Order Execution policy. In those circumstances, our execution in accordance with your instructions will be deemed best execution.

**Gapping (slippage)** - In most cases a standing order when triggered by market price action will be filled at the same, or very close to the same, price as requested on your order request. If the market opens at the start of the trading day at a price sharply different to the closing price of the previous trading session any order whose activation price is between the closing LCG quote of the previous day's trading close and the opening quote of the next day's trading session will be filled at the first price reasonably obtainable by LCG with reference to the 'underlying market'. This policy applies in the event of either advantageous or disadvantageous price movements.

If any market gaps from one quoted price to another due to an announcement of market sensitive

information, (such as a profit warning or an economic data release) then any order in place between these prices will be activated. The execution price of any order affected by price sensitive information will be subject to general exchange rules. This means that they will be filled AFTER any transaction requests placed at the same time. For this reason, although there may be tick prints on charts provided by LCG that suggest better potential fill levels, an order activated by a major economic data announcement, by a profit warning or other significant market event may be subject to fill levels significantly different to these momentarily available quote levels and will also be filled with consideration to the size of the order in question.

**Market Hours** - Aside from those markets defined as being quoted 'out of hours' no order will be filled outside of LCG's specified quoting hours. Please note that some markets continue to trade outside of the quoting hours offered by LCG and in these cases there is significant potential of some gapping from one LCG trading session to the next LCG trading session. All orders in these markets will be subject to this gap in prices. Orders activated in 'out of hours markets' quoted by LCG are treated as though the underlying instrument were open and trading at that level required to activate the order.

**Guaranteed Stop Orders** - Where you give instructions via the use of a Guaranteed Stop Order, specifying the price at which a position is to be closed if the market moves against you, those instructions take precedence over other aspects of our Order Execution Policy. A transaction which has a Guaranteed Stop Order set against it will be closed at the specified level if it is reached.

## 8. Monitoring and Review

LCG will regularly monitor the effectiveness of this Execution Policy in order to identify and, where appropriate, correct any deficiencies and to ensure that it complies with all regulatory requirements and will continually review the various execution venues that it uses to create 'our quotes'.

## 9. Glossary of Terms

**Client Agreement** - The contractual agreement that you enter into when opening an account with LCG.

**Execution venue** - A location where financial instruments can be traded (i.e. the New York Stock Exchange, NYSE) LCG is the sole execution venue for your transactions placed via its internet portals or over the telephone.

**Market** - An individual market on which you can enter into a transaction.

**Order** - This is where you give an instruction to execute a transaction at a price that is not currently available in the market but may be available at a future date/time.

**Our Quote** - The price quoted by us in each market via our trading platform or over the telephone.

**Open Position** - A situation where you have an exposure to a particular market due to the fact that you have an unexpired transaction active on your account.

**Transaction** - The action of entering into a transaction using a quote given by LCG to either open a position or to close (or part close) an open position.

**Underlying Market** - A financial instrument acquired from an execution venue or from a wholesale quoting counterpart which underlies the quote made by LCG. For example the UK 100 Rolling Daily price is calculated with reference to the most liquid UK 100 futures contract (commonly called the Front Month) plus or minus a Fair Value (FV), which is comprised of 'cost of carry' time value plus any expected dividend component between now and the expiry of the UK 100 future. So the 'underlying market' for the UK 100 Rolling market is the UK 100 future (not the UK 100 index itself).