



LONDON CAPITAL GROUP

Order Execution Policy

London Capital Group (Cyprus) Limited



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ORDER EXECUTION POLICY

This Order Execution Policy (“**Policy**”) sets out the arrangements that London Capital Group (Cyprus) Limited (“**LCG CY**”) has put in place to meet its best execution obligation to its clients. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) to act as a Cypriot Investment Firm (License No:341/17).

This Policy applies when the Company provides the investment services of reception, transmission and execution of clients’ orders in relation to one or more financial instruments on behalf of its Clients. This policy applies for all the types of CFDs offered by the Company.

1.1 **Best execution obligation**

As a CySEC regulated firm which receives, transmits and executes orders on behalf of its clients, LCG CY is required to take all reasonable steps to act in the best interests of the clients and obtain the best possible result for its clients taking into account a range of execution factors.

1.2 **Clients**

This policy applies to both retail and professional clients, in accordance with our clients’ categorisation policy as this is published in our website.

Where LCG CY enters into transactions with/for **eligible counterparties**, the best execution obligation will not apply, unless LCG has contractually agreed to provide best execution. As a rule, LCG CY does not contractually agree to provide best execution to eligible counterparties.

1.3 **Executing orders on behalf of clients**

The rebuttable presumption is that, in ordinary circumstances, a retail client legitimately relies upon LCG CY to protect its interests in relation to pricing and other parameters of the transaction and therefore best execution will apply, LCG does not differentiate between its retail and professional clients in this regard.



1.4 **Application of best execution to LCG's business**

LCG CY offers clients contracts for differences (“**CFDs**”) across a range of asset classes: FX, equity, bonds (sovereign), derivatives (interest rate, commodity and indices) to retail and professional clients.

The client that is open a trading account with us and consents to our terms and conditions, consents also that the orders are being executed outside a Regulated Market or a Multilateral Trading Facility. The orders are executed in accordance with the Order Execution Policy as it is applying for time to time.

1.5 **Execution factors**

LCG CY when is receiving and transmitting or arranging for the execution of client's orders will take all reasonable steps to obtain the best possible outcome for the client.

In providing best execution LCG CY is required to take into account certain execution factors. Where LCG executes an order on behalf of a client, the best possible result is determined in terms of the **total consideration** representing the price of the financial instrument and the costs associated to the execution, which must include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. LCG CY does not differentiate between its retail and professional clients in applying the execution factors. In addition, depending on the type of order provided, such as 'Market Orders' or 'Stop loss orders' LCG CY will consider the speed of execution, when assessing how to achieve the best possible result.

LCG CY also assesses 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 CY 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 CY 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 CY 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'.

In assessing the **relative importance** of the execution factors, LCG CY considers the following criteria:

- The characteristics of our clients (such as trading style and sophistication);
- The characteristics of the client order (including, the size and nature of the order);
- The characteristics of the financial instruments that are the subject of that order; and
- The characteristics of the execution venues to which that order can be directed.

Not all of these criteria will be relevant in each case.

The execution factors that are considered and their relative importance are set out below in order of importance. The relative importance attached to these execution factors does not differ across the asset classes traded by LCG CY.

1.6 **Price: the relative importance we attach is HIGH**

The price for a given contract is calculated by reference to the price of the relevant underlying financial instrument [and certain other factors, including the time to expiry of the market, any dividends, stock splits, scrip issues or special cash payments, interest rates, competitor pricing and weight of client business]. LCG CY will quote to its clients the prices that are provided by the Execution venue. While the Execution Venue calculates its own prices based on the price feeding derived from a range of third-party reference sources. For some kinds of instruments, e.g. equities, there will be a third party securities exchange from which we will obtain this price. For other kinds of instruments, e.g. foreign exchange, we will collect price data from nominated wholesale market participants.

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 on which the reference product is traded. In such cases, LCG CY 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 clients. The order type requested by a client will determine how LCG CY will arrange for execution, on price:



- Instant Order; will be filled at the price requested by the client or better if an improvement is available, or rejected if falling outside of price validation tolerances.

- Market Order; the will be filled at the prevailing market price once we have received the client order.

- Telephone Order; will be executed at the price quoted and confirmed by the dealers or as per the instructions left by the client.

1.7 **Costs: the relative importance we attach is HIGH**

In most circumstances the Liquidity Provider i.e. London Capital Group Limited applies a spread and no other charges or commissions are payable by clients. Spread may consider factors such as liquidity in external markets for the underlying financial instrument, dividend amounts, financing charges or other relevant factors.

In other circumstances, clients may be charged a commission or apply a financing charge which could be charged separately. Information on LCG commission and financing calculations is set out on the Markets section of our website.

The Client may also be charged a premium for Guaranteed Stop Loss Orders.

All costs associated with any execution as added by LCG CY and LCG are detailed within the Markets section of our shared website (lcg.com). **Speed: the relative importance we attach is HIGH**

The speed with which the trade is executed, is of high importance. Where clients request to trade using a 'market order', specifying direction and size only, then speed may be prioritised above that of price, depending on market conditions prevailing that it is in the best interest of the client.

1.8 **Additional Factors**

In determining the importance given to other factors LCG CY will exercise its commercial judgement in assessing other factors impacting the likelihood of execution, such as the size and nature of the transaction or order, liquidity in the market and the availability of price improvement, in order to obtain the best result for the client. For example LCG CY 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.

Transaction Size and Nature - All transaction execution is subject to size considerations. The Company reserves the right to decline an order, in case the size of the order is large and cannot be filled.

Every market quoted by LCG CY 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.

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 price over speed of execution and may be prioritised.

LCG CY is entitled at any time and at its own discretion, without providing any notice or explanation to the client, to decline/refuse to transmit or arrange for the execution of the order in circumstances explained in the Terms and Conditions as well.

Likelihood of Execution and Settlement - In almost all circumstances, client transaction requests will be executed automatically at the level requested or prevailing market level in case of a 'market' order request, subject to the size requested being equal to or under size permissible in the 'underlying market' at that time.

Where a transaction request exceeds certain size parameters and based on typical liquidity in the underlying instrument, the likelihood of execution and settlement may be prioritised over speed and refer the request to LCG's dealers for confirmation.

In certain circumstances due to speed of internet communications, market volatility transactions may be rejected, if the price requested by the client is not representative of the 'underlying market' price when received.

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

1.9 **Algorithmic Trading**

LCG CY does not place significant reliance on algorithmic trading systems to meet its obligation to take sufficient steps to obtain on a consistent basis the best possible result for the execution of client orders.

1.10 **Execution Venues**

LCG CY is executing clients' orders merely with LCG which is acting as the sole execution venue for clients' orders.

London Capital Group Limited (LCG) is the sole execution venue in respect of client transactions, and therefore is acting as the Liquidity Provider. LCG and LCG CY are related Companies.

The Liquidity Provider may choose whether to hedge any/part or all of the risk in the underlying market for all account types.

Where there is only one possible Execution venue, best execution is achieved by execution on that venue. Best Execution is a process which is taking into consideration various factors, not leading to a particular outcome.

The Execution venue may be changed at the Company's discretion without further notice while the order execution policy will be instantly updated in the Company's website.

1.11 **Application to asset classes**

1.11.1 **FX CFDs**

The prices provided by the Execution Venue on FX/currency products are sourced from independent price providing banks providing liquidity to the OTC FX markets. LCG will access the prices of another market maker in FX/currency products who from its experience usually provide a consistent service, taking into account factors such as frequency of updates and reliability, from which LCG will then manufacture its prices.



1.11.2 **Indices CFDs**

LCG prices for index CFDs will be referenced to the level of the relevant underlying index futures price. The price quoted and is available to its clients will take into account a deduction of “fair value”. Fair value is the theoretical assumption of where a futures contract should be priced given factors such as, for example, the current cash index level as well as dividend adjustments, etc.

LCG’s prices for CFDs are based on the underlying futures price.

LCG will base the closing price for index CFDs on the closing price of the relevant index for the purpose of margin requirements and any balance credits/debits.

1.11.3 **Commodity CFDs**

LCG has access to at least one relevant underlying derivative exchange per commodity in respect of which LCG offers commodity CFD products. By reference to the underlying instruments LCG will manufacture a price, considering cost of carry, etc. where relevant, whereas LCG CY arranges for the execution of clients order whereas LCG acts as the execution venue.

Where the underlying bid and offer reference prices are not available, LCG will reference the last actual trade of the underlying instrument and then apply a spread.

1.11.4 **Equity CFDs**

LCG prices for equity CFDs and spread bets will be referenced to the level of the relevant underlying equity price. LCG will base the closing price for equity CFDs on the closing price of the relevant stock for the purpose of margin requirements and any balance credits/debits.

1.11.5 **Bond CFDs**

LCG prices for bond CFDs will be referenced to the level of the relevant underlying bond price. Bond CFDs have an expiry date and the contract will be closed out on a cash-settled basis, on the expiry date of the underlying future.

1.11.6 **Interest rate derivative CFDs**

LCG has access to at least one relevant underlying derivative exchange per interest rate derivative in respect of which LCG offers interest rate derivative



CFD products. By reference to the underlying instruments LCG will manufacture a price, taking into account cost of carry, etc. where relevant. LCG CY arranges for the execution of clients order whereas LCG acts as the execution venue.

Where the underlying bid and offer prices are not available, LCG will reference the last actual trade of the underlying instrument and then apply a spread.

1.12 **Ensuring best execution**

LCG CY monitors the prices that are provided by the execution venue with reference to the market price for the underlying reference product to which the CFD relates.

LCG CY monitors the operation of a symmetric price slippage.

Where LCG CY receives specific instructions from a client as to how to execute an order, as is the case with limit orders, LCG CY will have complied with its obligation to take all reasonable steps to obtain the best possible result when executing that order by following those instructions. Specific instructions may prevent LCG CY from following this Policy. To the extent that specific instructions do not cover every aspect of the order, as is the case with market orders, LCG CY will apply this Policy for those parts or aspects of the order not covered by the client's instructions.

1.13 **Clients Protection**

When the market is highly volatile the any or all of the following steps might be taken (including but not limited to:

- Restrict the opening of orders;
- Decrease/Increase Leverage;
- Widen/Narrow Spreads;
- Decrease/Increase Margin Requirements;
- Volume Restrictions.

LCG CY shall inform the Clients of the actions that is willing to take during major events which can cause the market to be highly volatile

Under certain market conditions, i.e. during unexpected and unforeseeable events, the price of any Financial Instrument might be affected making it impossible for the Company to

execute any type of Order at the declared price, in such circumstances, the ability to execute Orders on a timely basis will become the primary factor.

1.14 **Monitoring best execution**

The Head of the reception, transmission and execution of the client's orders is monitoring best execution factors. The monitoring covers trading on the two trading platforms offered by LCG CY: MT4 and cBroker. Monitoring covers all asset classes. Monitoring is conducted at the following frequencies:

- real-time;
- month-end reports

LCG CY will escalate any issues to the execution venue in the first instance who will liaise with Compliance and/or the Board of Directors and Senior Management.

Compliance will review the monitoring undertaken by the front office on a sample basis. Compliance may challenge the conclusions reached by the front office by speaking to the relevant front office individual. Compliance may also speak to the relevant desk head or Head of Markets to obtain further information or clarification.

The best execution obligation requires to take sufficient steps to deliver the best possible result for clients. It is expected to find instances where it will be apparent that best execution was not provided. There may be legitimate reasons for this, or it may be that the service provided to the client could have been improved. The management will work together to learn from these incidents and correct any deficiencies picked up as a result of LCG's best execution monitoring.

1.15 **Review of the order execution policy**

LCG CY reviews this Policy and its order execution arrangements at least annually. A review will be carried out whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for its client orders on a consistent basis using the methods described in this Policy.

1.16 **The Company sets out below a non-exhaustive list of what factors that constitutes a Material Change:**

- Change of the Execution Venue.
- Changes to the relative importance of execution criteria and relevant factors;
- Materially incorrect prices compared to the average market price;
- Significant increase in the daily number of off quotes;
- Significant delay in the execution of orders.
- Material market impact;
- Material change in the level of costs resulting from connection to a venue;
- Change in the scope of financial instruments traded on a venue;
- Development of significant new execution procedures or a change in the market model of an existing venue;
- Major change to existing arrangements, such as material change in the human or technical resources that the company relies on to provide best execution;
- Client complaints that point to a major problem (a review of a client complaint revealing non-compliance of arrangements with the execution policy does not necessarily trigger a review of the entire policy).

The Company has established implemented and maintains the Best Execution Monitoring procedures to monitor the effectiveness of its Order Execution Policy and any other execution arrangements, in order to identify any deficiencies and where necessary take appropriate corrective measures.

1.17 **Demonstration of compliance**

LCG CY is required to demonstrate to its clients, at their request, that it has executed their orders in accordance with this Policy.