Best Execution Policy

Makor Securities London Limited

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1 Introduction

This document sets out Makor Securities London LTD's ("Makor") Order Execution Policy (the "Policy") and arrangements for complying with its obligation to take all reasonable steps to obtain the best possible result for its Professional Clients (referred to in this Order Execution policy simply as "clients").

This Policy has been updated to take into account new rules arising as a result of the implementation of the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") that came into force on 3 January 2018. Other FCA Rules and Guidance have been taken into account in designing this Policy, as have other EU regulations and ESMA Guidance where appropriate.

The Policy applies only to Professional Clients who submit orders, in "financial instruments", to Makor: (i) for execution on the client's behalf; or (ii) for transmission to a third party for execution. When Makor provides quotes or negotiates a price with a client on request (i.e. dealing on a Request for Quote basis), irrespective of whether Makor or the client initiated the transaction, Makor will not be deemed to be receiving a client order that is subject to best execution as set out in this Policy. For the avoidance of doubt, an order is an instruction to buy or sell a financial instrument which is accepted by Makor for execution or onward transmission to a third party and which gives rise to contractual or agency obligations to the client. Implicit in the instruction received, will be the understanding that the client is relying on Makor to protect its interests in relation to the pricing or other aspects of the transaction that may be affected by how Makor or the entity to which the order is transmitted, executes the order.

This Policy does not apply where Makor acts as an inter-dealer broker for arranging transactions where neither party relies on Makor or has the expectation that it would be acting in their best interests because, for example, the dealer does not give Makor execution discretion as to price but gives Makor a specific price for execution.

1.1 The Best Execution obligation

FCA rules place a high-level obligation on firms to ensure that client orders are executed on terms that are most favourable to that client, which is referred to as the 'best execution obligation'.

MiFID II has further enhanced this standard, by requiring that firms take 'all sufficient steps' to obtain the best possible result for its clients on a consistent basis when executing orders.

For the purposes of this Policy and in relation to the best execution rules more generally, the term "client order" should be understood to mean all orders in financial instruments, whether they are executed direct in the market or transmitted to another firm to execute on Makor's behalf, that are carried out on behalf of a client.

Makor's commitment to provide best execution does not impose any additional fiduciary duty upon Makor over and above the regulatory obligations in place or any terms agreed on a contractual basis between Makor and its clients.

1.2 Application of FCA and EU regulations

For investment firms authorised under MiFID, the best execution rules relating to direct execution are contained in Article 27 of MiFID II and the corresponding level 2 provisions. These level 2 provisions include, in particular, Articles 64 and 66 of the MiFID II Delegated Org Regulation[1] as well as RTS 28[2]. Separate requirements apply when orders are transmitted to another firm (referred to as "indirect execution" in this Policy) and these are set out primarily in Article 65 of the MiFID II Delegated Org Regulation. These requirements have been implemented by the FCA in the UK in COBS 11.2A.

[1] Commission Delegated Regulation (EU) 2017/565 of 25 April 2016

[2] Commission Delegated Regulation (EU) 2017/576 of 8 June 2016, as reproduced in COBS 11 Annex 1 EU.

1.3 Direct and indirect execution

The nature of the best execution obligations differs depending on whether Makor is executing orders directly, or whether these orders are being transmitted to third parties (i.e. brokers) for execution.

The term "direct execution" is defined in this Policy as including situations where Makor interacts directly with other counterparties to the trade, without going through a broker, and in addition covers situations where Makor uses its own membership of a Trading Venue[3], or otherwise places an order directly with an Execution Venue[4] in order to execute the trade.

Indirect execution is defined in this Policy as the practice of transmitting orders to brokers, for which the broker is then responsible for execution. These orders may be transmitted to the other firm for execution by a variety of methods, including by telephone, Bloomberg chat, email and electronic order entry and transmission systems (e.g. FIX).

The list of instruments in which Makor trades, including a breakdown of which instruments are executed directly and indirectly is included in Appendix 2.

1.4 Classes of financial instrument

Firms are required to tailor their Best Execution policy to provide sufficient information on how orders are executed in relation to each class of financial instrument traded by Makor. It is recognised that the process for executing liquid equity instruments will be very different to the process for executing OTC derivatives, for example, and a single undifferentiated policy is therefore likely to be overly generic. MiFID II provides a classification scheme for the different classes of financial instrument in Annex 1 of RTS 28, and this list is reproduced in full in Appendix 2 of this Policy.

Makor primarily trades in the below classes of financial instruments:

- Equities
- Bonds
- Currency derivatives
- Equity derivatives

The complete list of the different classes of MiFID II financial instruments is contained in Appendix 2 of this Policy, together with Makor's assessment of which classes are traded by Makor and which of these are directly and/or indirectly executed.

Where appropriate, this Policy will differentiate between the treatment of each of the above classes of financial instrument.

1.5 Application of Policy to non-financial instruments

MiFID II best execution requirements only apply in relation to financial instruments as defined in MiFID II (see Appendix 1 and Appendix 2).

Makor trades on behalf of clients in commodities and instruments that are not financial instruments and are not regulated under the Financial Services & Markets Act 2000 Regulated Activities Order, for example, Spot FX Instruments. Transactions in Commodities and instruments that are not financial instruments are regulated under FISMA are not subject to this Policy.

1.6 Execution Factors

Makor is obliged to seek the best possible result for its client in relation to each trade. What constitutes the best possible result however may vary depending on the situation, and this may not always equate to obtaining the best price or the lowest cost. Makor is therefore required to consider and assess the relative importance of the relevant 'execution factors' in respect of

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[3] A Trading Venue is defined as a Regulated Market, MTF or OTF.

[4] Execution Venues include regulated markets (i.e. exchanges), MTFs, OTFs, systematic internalisers, market makers and 'any other liquidity provider or an entity that performs a similar function in a third country'.

each class of financial instrument in which it trades. The Execution Factors defined in COBS 11.2A.2(2) as follows:

- Price – This is the price at which a transaction is executed. Where the price has varied across the transaction the blended average price should be considered.
- Costs – This includes explicit external costs such as exchange or clearing fees, as well as implicit costs such as spreads and slippage. This should be restricted to costs borne by the client and should not include Makor's internal costs relating to trading.
- Speed – This refers to the amount of time that elapses between the trade order and the successful execution of that trade.
- Likelihood of execution and settlement – This refers to Firm's estimation of the probability that the trade order will be successfully completed either in whole or in part.
- Size – For large orders or illiquid instruments only a partial fill may be received and this may vary between venues. Where the whole trade order is unlikely to be filled, the size of the potential fill will increase in importance.
- Nature of the order and any other relevant considerations – This is a broad category that covers any other factor not listed in the regulations that firms may wish to prioritise in order to achieve the best result for its clients. Examples of this may be the need to reduce the market impact of the trade. Where the client has attached instructions to the order these should also be taken into consideration.

Usually price will be considered the most important factor in obtaining the best possible result for a client's order. However, in certain circumstances, Makor may decide in its absolute discretion that other factors noted above, may be more important than price when determining the best possible result in accordance with this Policy.

Further information is given on Makor's prioritisation of the execution factors in different situations below.

1.7 Execution Criteria

FCA rules[5] also set out the 'execution criteria' that Makor must take into account when executing a trade. These are the particular characteristics of each trade order which need to be taken into account before applying Makor's execution process to achieve the best possible result for the client, where the 'best result' is defined by reference to Makor's prioritisation of the execution factors as set out above. The Execution Criteria will vary potentially from client to client and from trade to trade and will therefore need to be assessed on a continual basis. These are defined as set out below:

- The characteristic of the client – For example whether they have been classified as retail, professional or as an eligible counterparty, and whether they are a natural person, institutional investor or a fund. The level of sophistication, trading frequency and size of portfolio may also be relevant, as well as the stated investment goals and attitude to risk of the client;
- The characteristic of the client order – Factors such as the type of financial instrument, size and urgency of the order are likely to be relevant here. In addition, if the trade is a securities financing transaction then this is likely to require special treatment. In some cases, the client order may also come with specific instructions from the client.
- The characteristics of the financial instrument – Intrinsic differences in the behaviour and attributes of different financial instruments mean that they will need to be treated differently. Market conditions should also be considered, such as whether there is liquidity at the size of order being contemplated, and whether there is significant volatility in the market;
- The characteristics of the execution venues – Relevant considerations here might be the reputation and reliability of the venue, whether the order will be subject to pre- and post-trade transparency, and the types of counterparty that the order is likely to be executed against (for example, whether the order is likely to be executed against HFT firms.)

[5] See COBS 11.2A.8

This Policy sets out in the following sections how Makor applies the execution factors and execution criteria to achieve the best possible results for its clients on a consistent basis.

Order Execution

When determining the strategy for execution of a client's order, Makor will take into consideration certain factors as appropriate, in the context of the terms of the client's order. Factors Makor may consider will be price, the need for timely execution, market liquidity, the size of the order, the costs of the transaction and the nature of the transaction including whether it is executed on a trading venue regulated market, multilateral trading facility ("MTF") organised trading facility ("OTF") or over the counter.

In the absence of specific instructions from the client, Makor will exercise its own judgment, skill and experience, having regard to available market information when determining the factors that it needs to take into account for the purpose of providing the client with best execution.

The diverse markets for different financial instruments and the types of orders that clients place with Makor, means that different factors could be applicable in each case when Makor considers its execution strategy for each order received. For example, there is no formalized market for some over the counter transactions, in some markets price volatility may mean that timeliness of execution is a priority, whereas in an illiquid market the fact of execution may in itself constitute best execution.

In extreme volume and volatility situations, exchange system constraints may require automated trading systems to be switched off and/or electronic routing to be suspended in favour of manual execution. Such events lead to further execution delays and increased market volatility. Clients should be aware of the following risks associated with volatile markets, especially at or near the close of the standard trading session:

- An order may be executed at a substantially different price from the quoted bid or offer, or the last reported trade price at the time of order entry, or an order may be only partially executed or may be executed in several shapes at different prices; and
- Opening prices may differ significantly from the previous day's close.
- When executing a client's order, as well as the factors relevant to that client's order, Makor Securities will take into account the following: Characteristics of the client;
- Characteristics of the client's order;
- Characteristics of the relevant security; and
- Characteristics of the execution venues to which the order can be directed.

Where a client has provided its express prior consent, that client's orders may be executed on its behalf outside a trading venue.

Specific Instructions

Whenever Makor receives a specific instruction from a client, it will execute that client's order following those specific instructions. In following those specific instructions, Makor will be deemed to have satisfied its best execution obligations in respect of that part of the order to which the specific instructions relate. Specific instructions from a client may prevent Makor from taking the necessary steps it has designed and implemented in this policy, to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions. If a client requires its order to be executed in a particular manner, it must clearly state its desired method of execution when it places its order with Makor. To the extent that the client's specific instructions are not comprehensive, Makor will determine any non - specified aspects in accordance with this Policy.

Where a client chooses to execute an order via Direct Electric Access ("DEA") system, the client will select parameters (including price, counter party/venue, timing, site etc). In such situations, Makor, while acting on the client's behalf in providing a third-party DEA service, will be deemed to have satisfied its best execution obligations and the client will be deemed to have given a specific instruction for the whole order by means of the DEA system.

1.8 Execution Venues

Subject to any specific instructions from a client, Makor may use one or more of the following venues to enable it to obtain the best possible result on a consistent basis when executing an order on the client's behalf:

- Regulated markets;
- Markets and exchanges in countries where we consider it is appropriate to deal;
- OTFs
- MTFs; and
- Third party investment firms and brokers (or non EU entities performing similar functions) which also may trade proprietary positions, act as market makers and as liquidity providers.

1.9 Relying on a single venue

The FCA and ESMA have clarified[6] that it is permitted to rely on a single venue or broker to execute client orders if this single venue or broker provides the best possible result for its clients on a consistent basis, and that the results are at least as good as could be obtained from relying on other entities.

Makor's choice of venue may be constrained by the fact that there may be only one market or platform where an order can be executed due to the nature of the client's order or requirements.

[6] See COBS 11.2A.29G, COBS 11.2A.36G and question 3 of the best execution section of the ESMA Q&A on MiFID II and MiFIR investor protection topics (ESMA35-43-349)

2 The Execution Process

2.1 Prioritisation of the Execution Factors

In terms of the relative importance attached to the execution factors, Makor has a general view and process which it adapts based on the particular characteristics (i.e. the execution criteria) of each trade.

The first execution factor to consider is the probability of execution. The priority here will be to assess which execution venues and brokers are capable of executing the order on the required terms. In normal market conditions however this is a relatively straightforward exercise that will produce a range of equally ranked execution options for further consideration under the remaining execution factors. Situations where this assessment produces a very narrow range of options due to various special circumstances are considered further in the various scenarios set out in Chapter 4 below.

Following this, and assuming a range of execution options exist, the highest priority factor is to obtain the best result for the client in terms of the total consideration for the trade, defined as the total price obtained minus any costs or fees. This will either be the highest total price or the lowest total price (net of costs and fees) depending on the direction of the trade. In most situations this will be determined predominantly by the price achieved, although where the price offered by two or more execution venues or brokers are identical or within a narrow range[7], or cannot be reliably determined in advance, then the one with the lowest overall cost of execution will be chosen. This analysis will include the implicit costs of the trade, such as slippage and market impact.

Where Makor considers that it is able to take steps to achieve a better execution price, then it will do so. Examples of this would include reducing the market impact, which might be achieved by splitting the trade between multiple execution venues or brokers, trading over a longer time period or using algorithms.

The other execution factors do not typically determine the way a trade is executed, although on occasion where there are specific relevant circumstances these factors may be escalated in prioritisation. These situations are set out in Chapter 4, below.

2.2 Direct electronic access ("DEA")

Makor makes use of direct electronic access arrangements, whereby Makor is given direct electronic access to the trading venue via another broker and using that broker's membership of the trading venue. This enables Makor to execute an order direct on the trading venue without any additional assistance or intervention from the third-party broker which provided this electronic access.

2.3 Smart order routing

Makor employs smart order routing ("SOR") functionality to assist it in determining the trading venues to which an order can be sent to achieve the best price.

2.4 Direct execution with counterparties

With respect to trades in fixed income, we will typically execute these trades directly with an appropriate counterparty.

We will assess and determine which counterparties we judge to be most likely to be able to deliver the best result for the client, in line with our prioritisation of the execution factors and request quotes from 3-5 such counterparties. Where liquidity is an issue, and therefore settlement and execution are a priority, we may consider focusing on fewer counterparties to minimise information leakage and potential impact of implicit costs on the trade. For such trades we will interact directly to obtain quotes and typically execute against the most

[7] A 'narrow range' here means that the difference in price is less than the difference in costs and fees.

favourable quote received. This will generally be the best price that has been offered, although our prioritisation of the execution factors and the particular circumstances may dictate that other factors be taken into account, such as size.

2.5 Executing orders outside of a Trading Venue[8]

Makor may execute orders outside of a Trading Venue. e.g.

1) a fixed income trade arranged directly with the other counterparty, which could be another normal investment firm

2) executing a vanilla equity on an exchange outside of the EEA and therefore not within the definition of a Trading Venue

2.6 Electronic order management systems

Makor is able to transmit orders using an electronic order management system (for example Bloomberg SSEOMS) that transmits the order to execution venues.

[8] A Trading Venue is defined as a Regulated Market, MTF or OTF.

3 Arrangements particular to each class of financial instrument

3.1 Equity instruments

Makor does trade in equity instruments. Makor applies its standard prioritisation of the execution factors to these trades, as described in section 2.1 above. These orders are typically executed directly on the relevant exchange, although Makor may access other liquidity pools (such as MTFs and OTFs) where appropriate.

There may be some specific circumstances where the trade order will require modified treatment, such as for example during a market crisis or for large-in-scale orders, and the treatment of these situations is set out in Section 4.

3.2 Debt instruments

Makor does trade in debt instruments on behalf of clients, which are executed OTC with other market participants.

3.3 Currency derivatives

Makor does trade in currency derivatives on behalf of clients, which are executed OTC with other market participants.

3.4 Structured Products

Makor arranges transactions in structured products principally buying from the issuer or manufacturer for Eligible Counterparties, so these transactions generally fall outside the scope of this Policy.

3.5 Equity derivatives

Makor does trade in equity derivatives on behalf of clients as it acts as an inter-dealer broker for this class of financial instruments. The dealers are usually ECPs. A small number of dealers are classified as Professional Clients however such dealers provide and take specific prices for execution and do not confer any execution discretion as to price upon Makor.

4 Other considerations affecting choice of method of execution

4.1 Large transactions

Where the size of the order is large compared to the available liquidity in the market for the instrument in question, the execution criteria of 'size' will become of critical importance. This may mean that price and cost are deprioritised to an extent and that trades may be executed in a manner that prioritises achieving a higher executed quantity. Makor will still make every effort to achieve the best possible price for the trade, and at the lowest cost, but this strategy may result in a worse average unit price being achieved than if a lower transaction size was settled upon. This process will take place within certain limits, to be determined at the time of placing the trade order, and it is unlikely that any transaction will ever be executed without any reference whatsoever to the price and cost.

4.2 Thinly traded markets

Where instruments are not fungible or there are limited execution venues, we will focus on the likelihood and size of execution (and possibly speed, dependent on the external environment) to deliver best execution. For example, in thinly traded markets, where price points are not available best result for the client may be achieved by focussing on the immediacy and likelihood of execution and settlement if only a single counterparty is willing to take the other side of the trade.

4.3 Volatile markets

Where markets are seen to be particularly volatile, either across the market as a whole or in relation to the particular instrument that is the subject of the trade order, then the speed of execution will be escalated in importance. This is because in this situation the price could move rapidly against Makor, or the liquidity could evaporate, meaning that any delay in execution could result in either a worse price being achieved or in the desired trade not being completed at all.

When the price of the contemplated stock is moving quickly, either as a result of news relating specifically to that instrument or because of wider market movement, speed of execution will usually be the priority factor. Second to speed, will be successful execution, followed by the question of cost. In these circumstances the price factor is inevitably de-prioritised.

4.4 Short-term trading opportunities

There may also be situations where the nature of the investment opportunity identified is highly time-dependent. In this situation, explicit instructions may be received from the client requesting that speed of execution is given priority. Price will still usually be a high priority factor in this situation, as it will often be the potential for the price to move against Makor over a short time period that results in the need to execute the trade quickly.

4.5 Market crises

Where there is an interruption in trading at a major exchange, or the possibility of turbulent markets due to the failure of counterparties then the likelihood of settlement may be the execution factors focussed on. The management, diversification and minimisation of counterparty risk may also become a critical issue in this situation.

4.6 Niche or specialist markets

In the case of niche or specialist markets, the range of available execution venues or brokers that are able to complete the trade may be more limited. In addition, the geographical location, relevant experience and track record of the broker in relation to the specific instrument that is the subject of the trade order is likely to become a deciding factor. In this case, price and likelihood of execution are likely to be more important, with the importance of cost lessened as it will be necessary to use the method of execution that has the highest chance of completing the trade.

4.7 Overseas or hard to access markets

In relation to investments in certain overseas or otherwise hard-to-access markets, it may become necessary to select a third-party broker based on its geographic location and sector-specific expertise. In this situation, it is likely that the choice of brokers will be limited, and while Makor will still focus on achieving the best possible result for the client, this situation may lead to higher costs or a wider spread being obtained than would normally be the case.

4.8 Linked transactions

Special consideration is required where multiple transactions are linked. This may be the case when dealing in an instrument and placing a corresponding derivative transaction on the same underlying instrument. This may occur for example when dealing in convertibles and shorting the equity. In these circumstances, Makor's policy is to seek to combine the transactions and place them with a single Broker/Counterparty, to avoid unnecessary exposure to the client. In doing so, we will, for the combined transaction, prioritise the likelihood of successful combined execution.

Appendix 1 – Financial Instruments as per Annex 1 Section C of MiFID II

(1) Transferable securities;

(2) Money-market instruments;

(3) Units in collective investment undertakings;

(4) Options, futures, swaps, forward rate agreements[9] and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances[10] 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[11] 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 a default or other termination event);

(6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, 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 Section 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 difference;

(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 Section, 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;

(11) Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

[9] Yellow highlighted text denotes that the underlying definition has changed. New guidance under MiFID II clarifies and amends the distinction between a spot agreement and a forward agreement, overriding national discretion on this point and the FCA's previous interpretation. This clarifies the settlement periods that are considered as spot/forward contracts and also removes the carve out for transactions carried out for a "commercial purpose" as opposed to an investment purpose. This particularly applies to FX forwards and results in most FX forward contracts now being considered MiFID financial instruments.

[10] Blue underlined text is new in MiFID II. These references mainly relate to emissions allowances and instruments traded on OTFs, as well as a new carve-out for wholesale energy products which are regulated under REMIT.

[11] The underlying definition of Commodities has also changed under MiFID II, resulting in a wider definition of both commodities and also commodity derivatives. The MiFID II definition goes not require that these be goods that can be physically delivered, and now explicitly includes things such as climatic variables, freight rates, inflation rates and other official economic statistics.

Appendix 2 – Classes of Financial Instrument as per Annex 1 of RTS 28	**DIRECT EXECUTION:** Firm executes trades in this instrument directly	**INDIRECT EXECUTION:** Firm transmits orders in this instrument to other brokers to execute	**NOT APPLICABLE:** Firm does not trade for clients in this instrument
(a) Equities – Shares & Depositary Receipts			
(i) Tick size liquidity bands 5 and 6 (from 2000 trades per day)	X		
(ii) Tick size liquidity bands 3 and 4 (from 80 to 1999 trades per day)	X		
(iii) Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)	X	X	
(b) Debt instruments			
(i) Bonds	X		
(ii) Money markets instruments	X		
(c) currency derivatives			
(i) Futures and options admitted to trading on a trading venue	X		
(ii) Swaps, forwards, and other currency derivatives	X		
(d) Structured finance instruments			
(e) Equity Derivatives			
(i) Options and Futures admitted to trading on a trading venue	X		
(ii) Swaps and other equity derivatives	X		
(f) Commodities derivatives			
(i) Options and Futures admitted to trading on a trading venue			X
(ii) Other commodities derivatives			X

Appendix 3 – List of Execution Venues and Brokers on which significant reliance is placed	EXECUTION VENUES:
(a) Equities – Shares & Depositary Receipts	
	TBC
	TBC
	TBC
(b) Debt instruments	
	TBC
(c) Interest rates derivatives (not traded)	
(d) credit derivatives (not traded)	
(e) currency derivatives	
	OTC
	OTC
(f) Structured finance instruments	

(g) Equity Derivatives	
(h) Commodities derivatives (not traded)	