



Order Execution Policy

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1 Introduction

OTC Europe LLP (OTCE) specialise in OTC energy (crude oil, gas, fuel, carbon, freight, and coal) derivatives.

We have an obligation to take all sufficient steps to obtain the best possible result for clients when executing orders or transmitting orders for execution (placement) as part of our broking services. If a client has provided specific instructions, we will meet our obligation to obtain the best possible result by following those instructions.

The steps we take to ensure that we obtain the best possible result for clients include:

- Having a detailed Order Execution policy, which is up to date, compliant and followed;
- Ensuring our monitoring processes are up to scratch; and
- Identifying any failings and implement corrective actions.

This policy only applies to our professional clients. We do not offer services to retail clients and we do not provide best execution to clients who are eligible counterparties, although we will generally apply the same standards and processes described in this document to eligible counterparties.

We have an overriding responsibility to ensure that any inducement (given or received) does not conflict with our duty to act honestly, fairly, professionally and in the best interests of our clients. Please refer to the Inducements section of our Compliance Manual for further information. It should be noted that in no circumstances will we consider an inducement acceptable if the services we provide to clients are biased or distorted as a result.

2 Governance

Best Execution Approval Committee has responsibility for implementing this policy, and will therefore:

- Ensure that all relevant staff are aware of this policy and operate in accordance with it;
- Monitor transactions for best execution and compliance with this policy; and
- Evaluate our best execution arrangements on an ongoing basis to identify and implement any appropriate enhancements to our policy.

2.1 Policy Review

Best Execution Approval Committee will review this policy, and our best execution arrangements, at least annually to consider whether it has satisfied our obligation to take all sufficient steps to obtain the best possible result for clients. The review will include whether to:

- Exclude or to include additional or different execution venues;
- Assign different relative importance to the execution factors;
- Modify any other aspects of this policy and/or the best execution arrangements; and
- Review and approve the contents of our annual publication on our execution venues (types of transactions and volumes) and a summary analysis on our execution quality for the previous year.

Best Execution Approval Committee will also carry out a review if a material change occurs that could affect our ability to obtain the best possible results for the execution of our client orders, on a consistent basis, using our chosen execution venues. We will also assess if we need to make changes to the

relative importance of the best execution factors so we can continue to meet our overall best execution obligation.

3 Execution factors

There are a number of execution factors we will consider when deciding how to execute orders. The importance of these factors will depend on the nature of the order, the related financial product, any specific instructions provided by the client, and the choice of execution venue. We look at the following for each execution factor:

- Price is a key factor when we are seeking the best outcome for our clients. When we transmit orders, they are based on a negotiated quote. Energy derivatives are, by their nature, illiquid and complex transactions. We use Web ICE or TT (Trading technologies) to gather market data to compare prices and ensure the price is fair but, due to low liquidity, price is often based on negotiation and can be a secondary factor if we need to access liquidity and find a suitable counterparty.
- Trading costs are typically standardised and not decided on at the time of the trade, but agreed when contracting with the execution venue. We will regularly review the appropriateness of the costs incurred (execution fees, post-trade processing, etc.) and update this policy as appropriate.
- Trades are generally highly tailored involving negotiation, so the timing of execution is often of lower importance than other execution factors.
- Execution and settlement fails are uncommon for our market but are a consideration for large and illiquid orders if timing is important to the client. We monitor to ensure that execution and settlement fails do not impair our overall ability to offer best execution and will update our list of execution venues as appropriate.
- As our transactions are subject to individual negotiation and are matched, size is a relevant consideration in selecting the counterparty. Exchange settled block trades, or positions larger than standard market size, may be crossed at a particular stage in the trading day or kept anonymous to the majority of market participants, unless otherwise directed. We will only show the price and size to parties if we believe they may have an interest in executing or crossing the position.
- Due to the illiquid nature of many of the transactions executed by us, such other considerations may include natural liquidity, timing and availability of suitable counterparties. These must be taken into account and documented.

Our best execution policy will not apply at times of severe market turbulence or internal or external system failure where the ability to execute orders on a timely basis becomes the primary factor. In the event of a system failure, our execution venues may not be able to execute orders.

4 Execution criteria

When we are deciding the importance of the above execution factors, we will take into account the characteristics of the client (including their categorisation as a professional) along with:

- The characteristics of the client order (e.g. type of trade);
- The characteristics of the financial instruments that are the subject of the order (e.g. the asset class and the way the instrument is traded); and
- The characteristics of the execution venue(s) we can direct the order to.

5 Execution venues

We use the following execution venues:

- ICE
- CME
- NASDAQ

The execution venue selected will depend on whether the venue has the relevant product and client choice. Often, the client will choose both the product and the execution venue.

When deciding which of the above venues we use we will take into account the execution factors above combined with commercial judgement and the type of order and financial instrument. In most cases, the client may want a specific contract that will determine if we use either ICE, CME or NASDAQ (directed orders). We will take into account our own commissions and costs for executing an order on each of the eligible execution venues in assessing which to use;

Although we have assessed ICE, CME and NASDAQ as suitable execution venues for our clients, we have significant control over the execution quality due to our role in finding a suitable counterparty, negotiating the contract and determining the price. We monitor the execution quality of all our execution venues.

We will not use execution venues that we have not approved. We carry out the following due diligence on new execution venues before we approve them:

- Financial strength (for likelihood of execution);
- Ability to offer the best price or liquidity (for placements);
- Ability to settle trades in a timely manner; and
- Screening against various regulatory and sanctions issues.

The approval process is carried out by Compliance and signed off by Best Execution Approval Committee.

In order to support best execution, every execution venue is required to make available to the public data relating to the quality of execution of transactions on each venue. These reports are known as RTS 27 reports, are produced quarterly and provide us with information on trading conditions and quality of execution, including volume, frequency of trading, resilience or price related information, which we will use to consider new execution venues and review our existing execution venues. We need to record and evidence how we have made use of this information.

We will also monitor our approved execution venues for external news information that may suggest concerns. If we become aware of negative information, we must act on it immediately and consider temporarily removing the execution venue from the approved list until we have made a full assessment. Best Execution Approval Committee will review our execution venues on a regular basis to ensure it only contains counterparties we intend to continue to do business with, that they continue to meet the approval criteria.

6 Execution methodology

Generally, we will be contacted by a client who wants to trade. Our brokers will find a suitable counterparty to the trade and then negotiate the price. The trade is then blocked onto the exchange.

Most of our trades will be place with ICE due to product availability and liquidity but also at express request from the client.

7 Transaction monitoring

7.1 First line monitoring

Our first line monitoring checks the price and time of the order against the price available on the execution venue at the same time. If there have been any deviations these have been documented. This is one method of making sure we have achieved best execution against the exchange and orders are executed at the price quoted.

Where a need for remediation is identified, this will be fed back to first office teams immediately, so that execution practices can be adjusted accordingly. Overall oversight of execution outcomes will highlight common issues and can be included in management information for review. This management information will be escalated to and reviewed by Best Execution Approval Committee to assess if any changes are required.

7.2 Second line monitoring

Compliance will carry out second line monitoring by reviewing a sample of reviews conducted by the first line. The outcomes will be shared with the business and form part of the management information provided to Best Execution Approval Committee.

8 Client information

We will make appropriate information on our order execution policy available to our clients. The information will clearly explain how we will execute their orders and will include:

- The factors we use to select an execution venue
- How the execution factors of price costs, speed, likelihood of execution and any other relevant factors are considered as part of all sufficient steps to obtain the best possible result for the client;
- A clear and prominent warning that any specific instructions from a client may prevent us from obtaining the best possible result in respect of the order elements covered by those instructions
- A summary of the selection process for execution venues, execution strategies employed, the procedures and process used to analyse the quality of execution obtained and how we monitor and verify that the best possible results were obtained for our clients;
- If we apply different fees depending on the execution venue, we must explain these differences in sufficient detail in order to allow the client to understand the advantages and the disadvantages of the choice of a single execution venue;
- If we invite clients to choose an execution venue, we must provide fair, clear and not misleading information to prevent the client from choosing an execution venue on the sole basis of the price policy applied by the firm.

The information we provide is contained in [Annex one](#) and published on our website in the following location www.otcqh.com. If a client makes a reasonable request for information about how we execute orders for them, what our arrangements are and how we review them, we will respond clearly and within a reasonable time.

We need to inform our clients if we make any material changes to our order execution arrangements or execution policy. Compliance is responsible for this.

9 Publishing information on our execution venues

Every year we publish an annual summary, covering each class of financial instrument and based on trading volumes, of our execution venues. Along with the above information, we also provide a summary analysis, based on our detailed monitoring and conclusions, of the quality of execution we obtained from our execution venues. This report should provide a clear picture of the execution strategies and tools we have used to assess the quality of execution obtained on those venues, so that clients can assess the effectiveness of our monitoring.

Best Execution Approval Committee is responsible for publishing this report.

We will include where relevant, for each class of financial instruments, a summary of the analysis and conclusions we have drawn from monitoring of the quality of execution obtained on all execution venues used in the previous year. The information shall include:

- An explanation of the relative importance we give to the execution factors of price, costs, speed, likelihood of execution, or to any other consideration including qualitative factors when assessing the quality of execution;
- A description of any close links, conflicts of interests, and common ownerships with any execution venues we use;
- A description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received. This should allow clients to consider how such arrangements impact their costs;
- An explanation of the factors that led to any change in execution venues we used, if any such change occurred;
- An explanation of how order execution differs according to client categorisation, if there is a difference;
- An explanation of how we have used any data or tools relating to the quality of execution, including any data published under RTS 27; and
- An explanation of how we have used output of a consolidated tape provider.

The aim of the above information is to enable clients to evaluate our order execution practices and compliance with our order execution policy. If some information is common to several, or all classes, of financial instruments e.g. information on close links, conflicts or common ownership; or information on payments and rebates, this can be disclosed on a consolidated basis.

We will keep these reports public for two years following publication.

Annex one – Published order execution information

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