

Order Execution Policy

1. Purpose and scope of this Order Execution Policy

This Client Order Execution Policy (“**Policy**”) explains how SMBC Nikko Capital Markets Limited (“**SMBC Nikko**”) and SMBC Derivative Products Limited (“**SMBC DP**”) (collectively “**CMDP**”) seeks to provide best execution. As required by the Markets in Financial Instruments Directive II (2014/65/EU), the Markets in Financial Instruments Regulation (EU 600/2014) (as implemented in the UK) and the Financial Conduct Authority Conduct of Business Sourcebook (“**COBS**”) CMDP is obligated to take all sufficient steps to obtain the best possible result for its clients, taking into account all relevant execution factors (“**best execution**”), when executing, receiving and transmitting applicable client orders or quotes (“**orders**”).

This policy sets out general information in respect to CMDP’s approach to best execution. Further information is provided by class of financial instrument in the Appendices to this Policy. Specific information by asset class will include, but is not limited to:

- The application of best execution;
- The relative importance given to execution factors; and,
- Details of execution venues where CMDP may place significant reliance.

These Appendices that should be read in conjunction with this policy and cover the following products:

- Cash Equities;
- Equity Linked Products (including Convertible Bonds and Covered Warrants);
- Credit;
- Rates; and
- Derivatives

This Client Order Execution Policy applies to Professional Clients (the “**client**”) of CMDP regardless of whether you are an Elective Professional Client or Per Se Professional Client and it is not applicable to business conducted with Eligible Counterparties. It is not directed at, or intended, for Retail Clients and should not be considered for such persons. The policy should be read in conjunction with our Terms of Business, which you will already have received along with a letter notifying you of your classification. Where such a classification indicates we are treating you as a Professional Client the details of this Policy will apply.

The requirements relating to obtaining the best possible result for clients will be applied to any relevant transaction, in a MiFID II Financial Instrument with CMDP or affiliates as indicated or where any part of the origination or execution of the client order or transaction involves a sales person or trader located in the UK who has a direct relationship with the client, regardless of where the client is established.

2. What is Best Execution

Best execution is the requirement to take all sufficient steps to obtain the best possible result when either executing transactions on your behalf or using other affiliates or brokers to execute transactions on your behalf, taking into account the following execution factors:

- Price – the price at which the transaction could be executed;
- Cost – the costs that will be payable by the client as a result of the execution of the transaction;
- Speed and Settlement – the speed of execution and settlement of the order;

- Likelihood of Execution and Settlement – the likelihood that the transaction will be executed and settled; and
- Nature of the transaction and any other consideration relevant to the execution.

In coming to our determination with regards to the priority of such execution factors, a variety of criteria are taken into account which may include, but are not limited to, the type of financial instrument that is the subject to the order, the type of order and its specific characteristics, such as the size of the order or the liquidity of the underlying, as well as the execution venues to which the order could be directed. Appropriate consideration will be made based on a transaction by transaction basis and will vary per asset class.

3 When does Best Execution apply?

The obligation to provide best execution will always arise in circumstances where CMDP receives instructions from a client to execute a transaction on their behalf, that gives rise to contractual or agency obligations owed by CMDP to the client. Such contractual or agency obligations will arise where we are required to exercise discretion in relation to the execution of your instruction or order and you legitimately rely on us in relation to the exercise of that discretion e.g. in an agency or riskless principal capacity.

The best execution obligation may also apply when CMDP deals on its own account, acting in a principal capacity, and you are placing a legitimate reliance on us to protect your interest in relation to the execution of a transaction. To determine whether you are placing “legitimate reliance” on us we will take into account a number of relevant considerations (the four-fold test):

- which party initiates the transaction - where we approach you and suggest that you should enter into a transaction, it is more likely that you will be placing reliance on us. Where you initiate the transaction it is less likely that you will be placing reliance on us;
- elements of the transaction (e.g. there is a market convention to “shop around” for a quote), it is less likely that you will be placing reliance on us;
- the relative levels of price transparency within a market - if we have ready access to prices in the market in which we operate, whereas you do not, it is more likely that you will be placing reliance on us, whereas if our access to pricing transparency is equal or similar or to yours, it is less likely that you will be placing reliance on us; and
- the information provided by CMDP and any agreement reached.

The obligation to provide best execution will not generally apply where:

- You ask us to provide you with a quote in a particular Financial Instrument;
- We will be trading with you as principal “on risk”, in a market where the usual practice of clients is to ask several dealers for quotes;
- Your access to prices in the market means you are able to, and in practice can be expected to assess our quotes against those provided by other dealers;
- You specify the price/quote and the trade is executed on risk; or
- You apply other conditions which may be considered as specific instructions.

4 Specific Instructions

Where we receive specific instructions from you in relation to every aspect of a transaction, such that we have no discretion over how an order is executed, we will execute so far as reasonably possible the transaction in accordance with those instructions. Specific instructions may prevent us from taking some or all of the steps set out in this policy that are designed to obtain best execution. By following your specific instructions we will satisfy our obligation to provide best execution in relation to the order. In respect of those aspects of execution which are not covered by the specific instruction, we will process the order in accordance with this Order Execution Policy.

5 Execution Venues we use

When executing your transactions or when placing your orders with (or transmitting your orders to) other entities (including affiliates) to execute, CMDP will take all reasonable steps in order to obtain on a consistent basis the best possible result.

The factors affecting choice of execution venue include, but are not limited to financial instrument, price, market liquidity, the size and nature of the order, credit and settlement risk, realized performance (latency, liquidity, price improvement), and whether you have informed us you do not consent to your orders being executed outside of a regulated market or MTF.

Our choice of venue may be constrained by the fact that there may be only one venue where an order can be executed due to the nature of the instrument, your order or your requirements.

Venues:

- Regulated Markets, Multilateral Trading Facilities and Organised Trading Facilities;
- Other exchanges that are not Regulated Markets;
- CMDP and its Affiliates where we internalise orders (either on a risk or as a riskless principal basis);
- Systematic Internalisers;
- Market makers or other liquidity providers;
- Inter-dealer brokers; and
- Non-UK entities performing a similar function to any of the above.

Execution venues can include venues of which we are direct members or participant and venues that we access through third party brokers or dealers.

SMBC Nikko is not a member of any exchanges or other regulated markets, but as of 1 September 2018 it is a systematic internaliser in the following non-equity instruments traded on a trading venue (“TOTV”):

- Sovereign Bonds,
- Other Public Bonds,
- Corporate Bonds, and
- Convertible Bonds:
- Covered Bonds
- Structured Finance Products

For the purposes of ensuring efficiency and access to a wider range of markets, particularly in relation to Japanese equities, CMDP has entered into agreements with third party brokers, including SMBC Nikko Securities Inc. (“**SMBC Nikko Tokyo**”), CMDP’s Japanese-based affiliate. In addition CMDP is a member of a number of MTFs and transacts with a number of third parties who may be an OTF or Systematic Internaliser. Accordingly, the “execution venues” referred to herein are SMBC Nikko, MTFs, OTFs Systemic Internalisers and other third party brokers. Where CMDP has access to multiple venues for execution, CMDP will select the most appropriate execution venue.

6 Consent to execute away from a Regulated Market or MTF

CMDP may execute all or part of your order outside of a Regulated Market or MTF. An opportunity to formally consent or disagree with this approach is included in our account opening documentation that has been provided to you. In the absence of an explicit response from you to the contrary in relation to this information, if you place an order with us, we will treat you as having provided us with consent to trade outside a Regulated Market or MTF, as we believe it is in your best interests for us to do so (i.e. it allows us the flexibility to choose from a wider range of execution venues) and recognises that in fixed income markets you are executing directly with CMDP and not expecting us to route transactions to a Regulated Market or MTF other than where required to do so by regulation.

Furthermore, in addition to the above CMDP is also required under the rules of the FCA to obtain your

express consent when exercising our discretion to decide whether or not to publish unexecuted limit orders. An opportunity to provide such consent is included in our account opening documentation which has been provided to you. In the absence of an explicit response from you in relation to this information, if you place an order with us we will treat you as having provided your consent to us.

Aggregation and allocation of orders

CMDP may aggregate orders of (i) multiple clients and (ii) one or more clients and its own orders, where CMDP believes the aggregation to be fair and equitable taking into account all relevant factors including, but not limited to, the sequence in which the orders were received, any relevant instructions received from the client, the relative sizes of the orders and the current liquidity of the market for the relevant financial product, and CMDP's obligations to act in the interests of its clients and to avoid conflicts of interest.

Where CMDP executes an aggregated order, unfair preference will not be given to own account orders, or to any particular client, in the subsequent allocation procedure. Where a client order and an own account order have been aggregated, priority will be given to satisfying the client order if the aggregate total of all orders cannot be satisfied, unless CMDP can demonstrate on reasonable grounds that without CMDP's participation it would not have been possible to execute those orders on such favourable terms, or at all.

7 Monitoring and Notification

CMDP will monitor the effectiveness of its execution arrangements and Order Execution Policy and assess on a regular basis whether the execution venues it has selected provide for the best possible result for orders it executes on your behalf.

CMDP will review its Order Execution Policy, including the appendices, and its order execution arrangement at least annually. CMDP will also notify you of any material changes to its order execution arrangements or this policy; such notification may be made via the CMDP website.

Appendix One: Asset Class Information

Introduction

This Appendix provides further details with regards to the application of best execution in relation to Cash Equities, Equity Linked Products, Credit, Rates and Derivatives.

General

CMDP owes a duty of best execution when executing Client Orders on your behalf. We consider ourselves to be in receipt of an order where an execution instruction is given to us that give rise to contractual or agency-like obligations to you. Specifically, this will be the case where you commit to a trade that is not immediately executable, leaving discretion with us as to the manner of execution and exact terms of the resulting transaction; and the execution can be booked to your account, without the need to re-confirm the price, size or any other factor(s) with you; or where we execute an order usually on a riskless principal basis on your behalf.

Best execution obligations are unlikely to apply where you have asked us for a quote (RFQ), as we generally take the view that in the context of the four-fold considerations there is no legitimate reliance being placed on us to meet the relevant best execution requirements. However, this will be reviewed on a transaction by transaction basis depending on the circumstances of the request. Furthermore, where you provide us with a Specific Instruction, such as the time an order should be placed, to the extent that we follow such instructions, we have satisfied any best execution requirements with respect to that aspect of the order.

Cash Equities

For the majority of Cash Equity executions, except in certain circumstances, the obligation to provide best execution will ordinarily apply.

SMBC Nikko is not a member of any exchanges or other regulated markets, nor is it a systematic internaliser in Cash Equities. For the purposes of ensuring access to Japanese exchanges and markets in relation to Japanese equities and US exchanges and markets for US equities, SMBC Nikko has entered into execution agreements with SMBC Nikko Tokyo, SMBC Nikko's Japanese-based affiliate, and SMBC Nikko Securities America Inc. ("**SMBC Nikko SI**"), SMBC Nikko's US-based affiliate respectively.

The Cash Equities Desk of SMBC Nikko, SMBC Nikko Tokyo and/or SMBC Nikko SI assess each client order based on their accompanying instructions. Client specific instructions determine how each order is split into components and also dictate how these are executed. Consequently, the prioritisation of execution factors may vary on a per-order basis.

Outside of any Specific Instructions provided by the client, the most important execution factor when handling orders will be the price of the relevant financial instrument. Subject to any Specific Instruction, the following provides an example of the execution factors prioritisation that may be applied:

1. Price
2. Likelihood of Execution
3. Size
4. Costs
5. Speed
6. Other Considerations

Once an order has been received it is split for execution in accordance with any accompanying Specific Instructions. As part of assessing how to split a client order, this may be done manually, via an SMBC Nikko algorithm or by a combination of the two. This process will follow a differing priority of execution factors to meet the desired overall objective on a per order basis. Client Specific Instructions permitting, market impact is taken into consideration.

In order to meet the obligation to take all necessary steps to obtain on a consistent basis the best possible result for the execution of client orders SMBC Nikko (the Cash Equities Desk) currently accesses the execution venues listed below for Japanese equities.

Execution venues (Japanese Equities)

- Chi-X Japan
- Fukuoka Stock Exchange
- Nagoya Stock Exchange;
- Sapporo Stock Exchange;
- SBI Japan Next;
- Tokyo Stock Exchange; and
- ToSTNET

Execution venues (US Equities)

Please see below list of the execution venues that, to the best of our knowledge, may be utilised to achieve the best possible result for the execution of client orders in US Equities consistent with domestic “trade-through” rules as at the date of this document.

BZX Options	FINRA ADF	NASDAQ Global Select
Boston Options Exchange	FairX	NASDAQ Inc.
CME Globex	ICE Futures US	NASDAQ InterMarket
COMEX	IEX	NASDAQ OMX PSX
Cboe BXE	ISE Gemini	NASDAQ PHLX
Cboe BYX Exchange	ISE Mercury	NASDAQ Stock Market
Cboe BZX Exchange	International Securities Exchange	NYSE American
Cboe C2 Options Exchange	Long Term Stock Exchange	NYSE Arca
Cboe Futures Exchange	MIAX Emerald	NYSE Chicago
Cboe Options Exchange	MIAX Options Exchange	NYSE National
Cboe Parent	MIAX Pearl	NYSE-American-Arca
Chi-X Global	Members Exchange	New York Mercantile Exchange
Chicago Board of Trade	Minneapolis Grain Exchange	New York Stock Exchange (NYSE)
Chicago Mercantile Exchange	NASDAQ BX	OTC Bulletin Board
Direct Edge	NASDAQ BX Options Exchange	OTC Markets (Quotes Only)
EDGA Exchange	NASDAQ Capital Market	OTC US
EDGX Exchange	NASDAQ Futures Exchange	One Chicago
Eris Exchange	NASDAQ Global Market	

Direct Markets Access (“DMA”) orders received by SMBC Nikko are passed through a Smart Order Router unless a specific venue is instructed. In circumstances, when we do not take an active role in determining your execution parameters, we will seek to transact that order in accordance with their instructions. SMBC Nikko reserves the right however to intervene in the routing and execution of DMA orders where the original parameters could result in adverse market impact.

Equity Linked Products

For Equity Linked Products, SMBC Nikko primarily trades in a principal capacity providing responses to client’s Requests For Quotes (RFQ) and therefore we act as a liquidity provider. As SMBC Nikko operates in a competitive market for the execution of clients RFQs in Equity Linked Products, the expectation is that clients have access to multiple dealers and pricing sources and hence are in competition.

As with RFQ/reverse inquiries, if SMBC Nikko provides quotes or negotiates a price on a RFQ basis with you based on your requirements, we will not generally presume to receive a Client Order where best execution will apply.

In both of the above circumstances, we will make a determination of the transaction at the time of quoting whether you are legitimately reliant on us. This will be based on the four-fold considerations outlined in the SMBC Nikko Client Order Execution Policy, meaning:

- Where we deem you to request or take a price in a competitive market, and where you are not placing legitimate reliance on SMBC Nikko, best execution will not apply. We expect this to be the case in the majority of circumstances.

- Where you legitimately rely on us to get you the best possible outcome, we will provide best execution. We expect this to be the case only in limited circumstances.

Although typically executions in convertible bond markets are undertaken through a RFQ, we may also receive a resting Order whereby you give us an instruction to buy or sell on your behalf a specified size in a specified convertible bond with the aim of achieving the best possible outcome within the available appetite or supply in the market. We will attempt to fill your resting order on an over-the-counter basis.

When seeking to execute your resting order SMBC Nikko will seek to fill your transaction as soon as possible, at the target price or a better price, whilst applying a mark-up or spread as compensation for our work and (residual) risks. This mark-up or spread will be within a range of what we consider reasonable for the product type, tenor and size of the trade.

SMBC Nikko does not charge a commission but we do impose a mark-up/down or spread on where we execute trades in the market and where we execute them with clients (there is no agreed consistent mark up and reasonableness is based on a number of factors such as time of day, market conditions, order size, maturity of the transaction, counterparty credit risk).

Generally, an important execution factor for our clients will be the price the relevant financial instrument is executed at. As part of the price finding process for Equity Linked Product transactions, we will also take into consideration a number of other execution factors such as liquidity of the underlying, maturity of the transaction, counterparty credit risk and platform/technology dependencies.

However, depending on the complexity of the product, client engagement in creating the product/ transaction and bespoke nature of the transaction, the primary execution factors may vary, with likelihood and speed of execution potentially being a more important factor than price.

For Equity Linked Products, the following provides an example of the execution factors prioritisation that may be applied:

1. Price
2. Size
3. Costs
4. Speed
5. Likelihood of Execution
6. Other Considerations

As we typically trade Equity Linked Products on a principal basis, the execution venue will usually be SMBC Nikko and its affiliates. Below, we list other specific execution venues that we frequently use to hedge our own market risk, when acting in a riskless principal capacity, or to fill a resting order that you have left with us (as at the date of this document):

- Bloomberg AllQ;
- BGC;
- CME;
- GFI;
- Nagoya Stock Exchange;
- Osaka Exchange;
- SGX Singapore Stock Exchange;
- ToSTNET;
- Tradeweb;
- Tradition; and
- Tokyo Stock Exchange.

Credit

Typically executions in Credit securities are undertaken via two main approaches, via a resting order or through a RFQ.

Most trading in the market for Credit securities happens through RFQ. When you request us to give you a quote, we will look at the four-fold test outlined in the SMBC Nikko Client Order Execution Policy to determine whether or not you are placing a legitimate reliance upon us and will apply best execution only if it is determined that you are placing a legitimate reliance upon us.

When seeking to execute your resting order SMBC Nikko will seek to fill your transaction as soon as possible, at the target price or a better price, whilst applying a mark-up or spread as compensation for our work and (residual) risks. This mark-up or spread will be within a range of what we consider reasonable for the product type, tenor and size of the trade.

Generally, the most important execution factor for our clients will be the price the relevant financial instrument is executed at. However, in more illiquid markets, the primary execution factors may vary, as such, likelihood of execution may become the primary execution factor. Subject to any Specific Instruction, the following provides an example of the execution factors prioritisation that may be applied:

1. Price
2. Likelihood of Execution
3. Size
4. Costs
5. Speed
6. Other Considerations

As we typically trade Credit securities on a principal basis, the execution venue will usually be SMBC Nikko or our affiliates. Below, we list other specific execution venues that we frequently use to hedge our own market risk, when acting in a riskless principal capacity, or to fill a resting order that you have left with us (as at the date of this document):.

- Bloomberg AllQ;
- Market Axess;
- Tradeweb.

Rates

Typically executions in Rates securities are undertaken via two main approaches, via a resting order or through a RFQ .

Most trading in the market for Rates securities instruments happens through RFQ. When you request us to give you a quote, we will look at the four-fold test outlined in the SMBC Nikko Client Order Execution Policy to determine whether or not you are placing a legitimate reliance upon us and will apply best execution only if it is determined that you are placing a legitimate reliance upon us.

When seeking to execute your resting order SMBC Nikko will seek to fill your transaction as soon as possible, at the target price or a better price, whilst applying a mark-up or spread as compensation for our work and (residual) risks. This mark-up or spread will be within a range of what we consider reasonable for the product type, tenor and size of the trade.

Generally, the most important execution factor for our clients will be the price the relevant financial instrument is executed at. However, in more illiquid markets, the primary execution factors may vary, as such, likelihood of execution may become the primary execution factor. Subject to any Specific Instruction, the following provides an example of the execution factors prioritisation that may be applied:

1. Price
2. Likelihood of Execution
3. Size
4. Costs
5. Speed

6. Other Considerations

As we typically trade Interest Rate Products on a principal or riskless principal basis, the execution venue will usually be SMBC Nikko or our affiliates. Below, we list other specific execution venues that we frequently use to hedge our own market risk, when acting in a riskless principal capacity or to fill a resting order that you have left with us (as at the date of this document):

- Bloomberg ALLQ;
- Bond Broker;
- Eurex;
- Tradeweb.

Derivatives

Derivative transactions will be executed by SMBC DP on a principal basis providing a risk price by: facilitating a RFQ from clients and responding to reverse inquiries; or facilitating requests for proposal (RFP) from clients.

For Derivative products, SMBC DP primarily trades in a principal capacity providing responses to clients' RFQ's. As SMBC DP operates in a competitive market for the execution of client RFQ's in Derivatives, the expectation is that clients have access to multiple dealers and pricing sources or alternatively employ independent benchmark advisers to assess market prices and hence are in competition. Best execution obligations are unlikely to apply where you have asked us for a quote, as we generally take the view that in the context of the four-fold test considerations there is no legitimate reliance being placed on us to meet the relevant best execution requirements; however in all cases we endeavour to provide the most competitive pricing achievable.

The markets for vanilla and complex interest rate, foreign exchange, cross currency and commodity derivatives are in most instances well established and competitive, whereby multiple market participants will stand ready to respond to clients' RFQ/reverse inquiry or RFP. Such processes are carried out via direct requests through meetings, voice, email or electronic messaging.

In relation to RFQs or reverse inquiries (e.g. the client approaches SMBC DP to provide banking services), where we provide quotes or negotiate a price with you on request, we will not generally presume to be receiving a Client Order where best execution will apply.

When transacting on a RFP basis, clients will usually, after an initial broad contest, choose a small number of providers to discuss the transaction in detail. This process will eventually lead to a (potentially exclusive) quote based on the parameters requested by the client. The time between the initial client contact and the quote varies from a few days to a protracted period. As with RFQ/reverse inquiries, if SMBC DP provides quotes or negotiates a price with you based on your requirements, we will not generally presume to receive a Client Order where best execution will apply.

In both of the above circumstances, we will make a determination of the transaction at the time of quoting whether you are legitimately reliant on us. This will be based on the four-fold considerations, meaning:

- Where we deem you to request or take a price in a competitive market, and where you are not placing legitimate reliance on SMBC DP, best execution will not apply. We expect this to be the case in the majority of circumstances.
- Where you legitimately rely on us to get you the best possible outcome, we will provide best execution. We expect this to be the case only in exceptional circumstances.

Furthermore, where you provide us with a Specific Instruction, such as the time an order should be placed, to the extent that we follow such instructions, we have satisfied any best execution requirements with respect to that aspect of the order.

SMBC DP do not charge a commission but we do impose a mark-up/down or spread on where we execute trades in the market and where we execute them with clients (there is no agreed consistent mark up and reasonableness is based on a number of factors such as, but not limited to, time of day, market conditions, order size, maturity of the transaction, counterparty credit risk).

When seeking to execute your resting order SMBC DP will seek to fill your transaction as soon as possible, at the target price or a better price, whilst applying a mark-up or spread as compensation for our work and (residual) risks. This mark-up or spread will be within a range of what we consider reasonable for the product

type, tenor and size of the trade.

Generally, an important execution factor for our clients will be the price the relevant financial instrument is executed at. As part of the price finding process for Derivative transactions, we will also take into consideration a number of other execution factors such as liquidity of the underlying, maturity of the transaction, counterparty credit risk and platform/technology dependencies. However, depending on the complexity of the product, client engagement in creating the product/transaction and bespoke nature of the transaction, the primary execution factors may vary, with likelihood and speed of execution potentially being a more important factor than price.

Subject to any Specific Instruction, the following provides an example of the execution factors prioritisation that may be applied:

- 1. Price
- 2. Likelihood of Execution
- 3. Size
- 4. Costs
- 5. Speed
- 6. Other Considerations

As we trade Derivatives on a principal basis, the counterparty to the transaction will usually be SMBC DP and/or its affiliates. SMBC DP will look to hedge its risks through a variety of trading venues including brokers, exchanges and other dealers or on the OTC market; e.g. (as at the date of this document):

- BCG;
- Bloomberg;
- FX All;
- GFI;
- HPC SA;
- NEX SEF
- TP ICAP;
- TP SEF;
- Tradeweb;
- Tradition;
- Tullett Prebon;
- TW SEF.