

# Order Execution Policy



## **Order Execution Policy**

### **Introduction**

In accordance with the EU Markets in Financial Instruments Directive (MiFiD) and the rules of our regulator, the Financial Services Authority which implement the directive, we are required to put in place an order execution policy and take all reasonable steps to obtain the best possible result for our customers either when executing customer orders or when receiving and transmitting order for execution. The purpose of this document is to provide information on our Order Execution Policy and obtain your consent to it, where we are obliged to do so. This policy should be read in conjunction with our Terms of Business, however the Order Execution Policy itself does not form part of the agreement between you and us.

### **Scope**

Our Order Execution Policy applies when we execute orders on behalf of our clients. However, we always deal as principal, not on behalf of our clients, and act as the relevant execution venue for your orders, which will be executed on an OTC basis rather than on a regulated market or multilateral trading facility (MTF).

### **Specific Instructions**

If you provide us with specific instructions as to how to execute your order, we will have complied with our obligation to take all reasonable steps to obtain the best possible result when executing that order by following your instructions. Please note that this may prevent us from following our Order Execution Policy. To the extent that your instructions are incomplete, we will usually follow our Order Execution Policy for those parts or aspects of the order not covered by your instructions.

In the absence of specific instructions from you, we will usually take into account the various execution factors and criteria set out below in order to determine how to obtain the best possible result when executing orders on your behalf.

### **Relevant factors**

Subject to any specific instructions that we accept from you, we will take into account a range of factors in deciding where to execute your order. These include price, costs, speed, likelihood of execution and settlement, together with any other consideration relevant to the execution of the order. In determining the relative importance of these factors we will take into account your status as a retail or professional client, together with the nature of your order, the characteristics of the financial instruments to which the order relates and the characteristics of the execution venues to which the order can be directed.

We will generally give the highest priority to total consideration, representing the price of the relevant financial instruments and the costs related to execution. However, we may at our discretion prioritise other factors, including the impact on market prices of displaying and executing your order, the speed and likelihood of execution and the availability of price improvement. We may prioritise such other factors where there is insufficient immediately available liquidity on the relevant execution venue(s) to execute your order in full, where you instruct us to work your 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 you.

In determining what is the best possible result for you, we will not compare the results that can be achieved for you on the basis of our Order Execution Policy and fees with results that might be achieved for you by another investment firm on the basis of that firm's execution policy or a different structure of commission or fees, nor will we compare the differences in our own commissions or fees which are attributable to the nature of the services that we provide to you.

In relation to some financial instruments, at the time at which you give us an order there may be no functioning or no open market or exchange on which the reference product is traded. In such cases we set out to determine a fair underlying price based on a number of factors, for example price movements on associated markets and other market influences, including information about our clients' own orders.

### **Index CFDs and Spread Bets**

FXCM prices for index CFDs and spread bets will be referenced to the level of the relevant underlying index futures price. The price quoted by FXCM 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.

Our prices for CFDs and spread bets are based on the underlying futures price.

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

### **Commodity CFDs and Spread Bets**

FXCM has access to at least one relevant underlying derivative exchange per commodity in respect of which FXCM offers Commodity CFD and spread bet products. By reference to the underlying instruments FXCM will manufacture a price, taking into account cost of carry etc where relevant.

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

### **Treasury CFDs and Spread Bets**

FXCM has access to at least one relevant underlying derivative exchange per instrument in respect of which it offers Treasury CFD and spread bet products. By reference to the underlying instruments FXCM will manufacture a price, taking into account cost of carry etc if relevant.

### **Foreign Exchange**

FXCM prices on FX/currency products are sourced from independent price providing banks providing liquidity to the OTC FX Market. By reference, FXCM will access the prices of a market maker in FX/currency products who from our experience usually provides a consistent service, taking into account factors such as frequency of updates and reliability, from which we will then manufacture our prices.

FXCM will base the closing price on FX/currency positions on the closing price of the relevant currency for the purpose of margin requirements and any balance credits/debits.

### **Effect of other factors on the execution your order**

FXCM reserves the right to modify the FXCM spread, you may experience widened spreads and slippage under certain market conditions (for example, but not limited to, when the trading desk is closed, around fundamental announcements, where there is a fast moving market or low liquidity).

Most trades will be automatically priced and executed by FXCM's automated internal trading systems. However, depending on factors such as for example unusual market conditions or the size and nature of your order an instrument may be wholly or partly manually priced and/or an order may be manually executed.

During times of high demand manual pricing and/or execution may cause delays in processing your order which in turn can have an impact on the price at which your order is executed. FXCM is committed to providing the most competitive trading technology and have put dealing procedures in place to minimize the risk of delays.

Where you give us a specific instruction as to the execution of an order, we will execute the order in accordance with those specific instructions and you should be aware that doing so may prevent us from applying this policy.

Where your specific instructions relate to only part of an order, we will continue to apply our Order Execution Policy to those aspects of the order not covered by those instructions.

### **Aggregation and Allocation:**

FSA's General Principles require from regulated firms to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of your orders, relative to other orders or the trading interests of the firm.

In carrying out your orders, FXCM strives to ensure that orders are executed promptly and accurately recorded and allocated. For the purposes of this section, carrying out client orders includes the execution of orders on behalf of clients.

FXCM does not undertake to carry out your order or a transaction for its own account in aggregation with another client order, unless it has satisfied the following conditions –

- it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
- it has been disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;
- it has established and effectively implemented an order allocation policy. This policy should provide in sufficiently precise terms for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

Where FXCM aggregates a client order with one or more other orders and the aggregated order is partially executed, it will further allocate the related trades in accordance with this order allocation policy.

### **Monitoring and review of our Order Execution Policy**

We will monitor the effectiveness of our order execution arrangements and Order Execution Policy. We will assess from time to time whether the venues relied upon by us in pricing our Transactions allow us to meet our regulatory obligations on a consistent basis or whether we need to make changes to our execution arrangements. We will also review our order execution arrangements and Order Execution Policy in respect of material changes either in respect of one of our chosen pricing venues or otherwise that affects our ability to continue to meet our regulatory obligations. Should there be any material changes to our order execution arrangements or Order Execution Policy, we will notify you.