

VM Vita Markets Ltd

(Regulated by the Cyprus Securities & Exchange Commission)

BEST EXECUTION POLICY

Original Issue Date:	October 2018
Approver:	Board of Directors
Last Review Date:	October 2019
Next Review Date:	October 2020
Version	2



Best Execution Policy

Introduction

VM VITA MARKETS LTD (hereinafter the “Company”) is an investment firm established in the Republic of Cyprus and authorised by the Cyprus Securities and Exchange Commission (the “CySEC” or “Commission”) pursuant to the Law 87(I)/2017, to provide one or more investment services to third parties or/and perform one or more investment activities in accordance with its Cyprus Investment Firm (“CIF”) authorisation.

The Company has established and implemented a Best Execution Policy (the “Policy”), which has been approved by the Board of Directors and has been incorporated in the Company’s Internal Operations Manual (“IOM”). It is noted that the Policy must be followed by the Company at all times.

The Company reserves the right to amend the current Policy at any time if such amendment is needed as a result of any amendments of the law, any regulations or for any reason the Company considers as a proper reason to amend the Policy.

Index

Passive order	An order entered into the order book that provided liquidity.
Aggressive order	An order entered into the order book that took liquidity.
Directed order	An order where a specific execution venue was specified by the client prior to the execution of the order.

Legal Framework

This Policy implements the requirements of [Directive 2014/65/EU](#) on Markets in Financial Instruments (“MiFID II”) and the Law regarding the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters [Law 87\(I\)/2017](#) (“the Law”), as amended. It further implements the relevant requirements of Part VI of [Directive D1144-2007-02](#) for the Professional Competence of Investment Firms and the Natural Persons Employed by them (“Directive 2”) issued by CySEC.

Purpose

The purpose of this policy is to establish effective arrangements for obtaining the best possible result for Company’s Clients when the Company is executing Clients’ orders. It aims to set out those arrangements and to ensure compliance with the requirements of the Law and the internal procedures of the Company.

In accordance with MiFID II Directive and the Law, CIFs owe their clients a duty of best execution and must take all sufficient steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, whenever there is a specific instruction from the client, the Company shall execute the order following the specific instruction.



The Company cannot guarantee that upon execution of an order the price at which the order is executed will always be better than a price, which is, or might have been available elsewhere.

The Company is obliged to establish and implement an order execution policy to allow the Company to obtain, for its clients' orders, the best possible result

Scope

This Policy outlines the Company's strategy for obtaining the best possible results when executing orders on behalf of retail clients, including the steps that the Company will take to comply with the best execution obligation. The Company owes the duty of best execution to a user only when the Company has a contractual or agency obligation to such user.

Accordingly, this document aims to set out those arrangements and to ensure compliance with legislative requirements and the departmental and general procedures, and gives an overview on how trades and orders are executed and the factors that may affect the execution's timing.

This Policy applies to the execution venues listed in tables A and B below, with the top five (5) venues specified meaning those most frequently used. The list of execution venues presented in tables A and B of this Policy reflects the objective capabilities of the Company to obtain the best possible results for the client on a consistent basis. The Company therefore should not be expected to choose among all the execution venues possible.

Where client interests are concerned the Company may execute the particular client order on a venue not listed in tables A and B or reasonably use the services of another broker or intermediary. The Company will then consider amending tables A and B respectively.

Policy

The relevant department to which the Policy mainly applies, is the Brokerage Department of the Company. Senior Management shall review the policy on at least annually or whenever a material change occurs that will have an impact on the Company's ability to continue offering best execution of its Clients' orders using the Company's trading platform. Clients will be notified of any material changes to the order execution arrangements or execution policy via the Company's website, which will contain the most up-to-date version of the Policy. Changes to this Policy will not be separately notified.

The Company has established and shall continue to maintain the present Best Execution Policy in order to ensure compliance with the obligation to execute orders on terms most favourable to the Clients and to achieve the best possible results for its Clients, taking into consideration its Clients' ability, needs and trading policies, where applicable and possible.

The policy outlines the process that the Company follows for executing trades, and assures taking all sufficient steps to consistently obtain the best possible result for Clients through its Order Execution Policy. It is noted however that when executing an order following a specific Client instruction, the Company will execute the order in line with those instructions and will consider that it has discharged its best execution obligations.



Best Execution Factors and Criteria

1. Best Execution Factors

1.1. Price of the Financial Instruments and cost – Highest importance

Commonly, client orders will be routed to execution venues where opportunities for price improvement may exist. The criteria used may include:

- i. automatically matching incoming market and limit orders to pending limit orders;
- ii. crossing transactions where price improvement is offered to one or both sides of the trade.

In assessing and comparing prices provided by execution venues, including Company's internal capacity, the Company will use benchmarks or other publicly available pricing data. For example, current average price on NYSE can be used as a benchmark with respect to small-size orders to buy/sell shares of USA issuers or derivatives thereon; for larger orders daily averages may be used. For more diversified markets, as benchmarks can be used data publicized by several major execution venues, including interdealer- brokers, not listed in *Tables A and B of this Policy* but adequately representing this particular market. Reasonable deviations from the benchmarks (levels of tolerance) will be estimated for every Financial Instrument (group of comparable instruments) taking into account its liquidity and volatility. Actual performance of order execution against the respective benchmarks will be regularly monitored.

- **For Professional Clients:**

price and cost are generally two (2) separate execution factors. For Professional Clients, price is generally the factor of primary importance for the Company to choose the execution venue, with cost being taken into account as a factor balancing against other execution factors. Indication to this effect in the client order or known client preferences will be followed.

- **For Retail Clients:**

in the absence of specific client instructions, the Company will take into consideration all factors that will allow it to deliver the best possible result in terms of the total consideration, representing the price of the Financial Instrument and the costs related to execution which shall 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. Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the Retail Client.

There are three (3) broad categories of cost all of which are relevant to both Professional and Retail Clients and which the Company will make reasonable effort to assess and minimize in choosing the way (including venue) of execution:

- **Implicit cost:** meaning the effect of the market impact of order execution. Implicit costs result from how a trade is executed (for example, immediately or worked over a period of time, in a block, aggregated with other trades, or as small orders sent to multiple different execution venues). For example, working a relatively large order over time on a less liquid market may minimize market impact and therefore achieve the lowest total costs (and the best net price). Although the impact of implicit costs can only be



precisely assessed after a trade is completed, the Company will make reasonable estimations about the likely implicit costs of an execution strategy before the order is executed.

- **Explicit external costs:** which include exchange fees, clearing and settlement costs, taxes or any other costs passed on to the client by intermediaries (brokers, agents) participating in the transaction.
- **Explicit internal costs:** which represent Company's own remuneration through its fees, commission or spread.

Where the Company decides to make its profit on OTC markets through the difference in price between the bid and offer (the spread), these spreads will be treated as internal costs (rather than price). In this case the spread needs to be known and agreed in advance with the Retail Client and clearly differentiated from price.

1.2. Speed of execution – High importance

Due to the levels of liquidity and volatility affecting both price and volume, the Company seeks to provide client orders with the fastest execution reasonably possible although delays may occur. For these purposes the Company will use the data publicized by trading venues on the speed of the execution.

The Company places a significant importance when executing Client's orders and is doing all reasonable efforts to offer a high speed of execution within the technological and telecommunication limitations and it is not responsible for the poor performance of Client's technology, internet connection or any other resources that might result in Client's delay in the transmission of data between the Client and the Company.

Speed of execution may have different meanings for the different types of execution venues as the measurement of speed varies by both trading systems and trading platform. For continuous auction order books, speed of execution is expressed in mili-seconds while for other trading systems it is appropriate to use larger units of time. Anyways, the similar parameters will be compared as to make the decision on the best speed for execution.

The actions specified above in this subsection will be performed by the Company periodically subject to availability of the respective data. All execution venues will be required by law to publicize such data starting from 3 January 2018. Before this date or in case of unavailability of such data (e.g. in case of the venue registered in a third country) the Company will assess speed of the execution using the information on the respective venue that is in fact available to the Company.

1.3. Likelihood of execution and settlement – High importance

Due to the levels of liquidity and volatility affecting both price and volume, the Company seeks to provide client orders with the fastest execution reasonably possible although delays may occur. For these purposes the Company will use the data publicized by trading venues on the likelihood of the execution.

Likelihood of execution indicates the probability of execution of a particular type of order (e.g. market, limit order) and is supported, inter alia, by details on trading volumes and number of quotes placed and orders executed in a particular instrument. Information on likelihood of execution is connected with such metrics as the relative market size of a venue in a particular Financial Instrument or the class of instruments. Likelihood of execution may also be assessed with data on failed transactions or cancelled or modified orders.



The actions specified above in this subsection will be performed by the Company periodically subject to availability of the respective data. All execution venues will be required by law to publicize such data starting from 3 January 2018. Before this date or in case of unavailability of such data (e.g. in case of the venue registered in a third country) the Company will assess likelihood of the execution using the information on the respective venue that is in fact available to the Company.

1.4. The size of the order – Medium Importance

In order to compare the quality of execution for orders of different size, the data provided by execution venues on transactions within several size ranges will be monitored by the Company.

The Company will search for execution venues that provide the greatest liquidity and thus potential for execution of large orders. The Company also will seek opportunities for client orders to benefit from order-size commitments offered by the execution venues.

For these purposes the following data publicized by execution venues will be reviewed:

- median transaction size on that date if more than one transaction occurred
- median size of all orders or requests for quote on that date if more than one order or request for quote was received.

1.5. The nature of the order

The particular characteristics of an order can affect the execution of the client's order. The Client can place with the Company the following types of orders, subject to the capability of the execution venues and the brokers the Company cooperate with:

Type of orders

Limit Orders: this is an order to buy or sell once the market reaches the 'limit price'. Once the market reaches the 'limit price' the 'limit order' is triggered and executed at the 'limit price' or better.

Market Order (hereafter "Instant Order"): It is an order to buy or sell at the price available at the time of placing the order.

Pending Order: A pending order is an order to buy or sell a Financial Instrument in the future once a certain price specified by the Client is reached. There are four (4) types of pending orders. Buy Limit, Buy Stop, Sell Limit and Sell Stop.

- **Buy Stop:** this is an order to buy at a specified price ('the stop price') that is higher than the current market price.
- **Sell Stop:** this is an order to sell at a specified price ('the stop price') that is lower than the current market price.
- **Buy Limit:** this is an order to buy at a specified price ('the limit price') that is lower than the current market price.
- **Sell Limit:** this is an order to buy at a specified price ('the limit price') that is higher than the current market price.



- **Stop Orders:** this is an order to buy or sell once the market reaches the ‘stop price’. Once the market reaches the ‘stop price’ the ‘stop order’ is triggered and treated as a ‘market order’.
- **Stop Loss:** this is an order that maybe attached to an already open position to close a position at a specified price (‘the stop loss price’). Once the market reaches the ‘stop loss price’ the order is triggered and treated as a ‘market order’. A ‘stop loss’ may be used to minimize losses.
- **Take profit:** this is an order that maybe attached to an already open position to close a position at a specified price (‘the take profit price’). Once the market reaches the ‘take profit price’ the order is triggered and treated as a ‘limit order’. A ‘take profit’ may be used to secure profits.

1.6. Any other relevant factors

The Company considers, but without the list being exhaustive, as relevant factors that might affect the execution of Clients Orders, fundamental announcements and unusual market conditions such as low liquidity or/and high volatility. The Company may execute at such times the orders manually which can have an impact on the price and speed the orders are executed.

The Company will take all reasonable steps to obtain the best possible result for its Clients but during times of high demand manual pricing and/or execution may cause delays in processing an order which in turn can have an impact on the price and speed at which the order is executed.

2. Best Execution Criteria

For determining the relative importance of the Best Execution Factors, the following criteria will be taken into account:

- **The characteristics of the client including the categorization of the client as Retail or Professional.**
(Retail or Professional, investment purposes and sensitivity to transaction/periodic costs, capacity to utilize electronic means of order submission, etc.);
- **The characteristics of the client order.**
(size, market order or limit order, order to trade on margin, collateral provided, time frame for execution, currency of settlement, etc.);
- **The characteristics of Financial Instruments that are the subject of that order.**
(markets existing for such securities, restrictions to circulation, methods and currency of clearing and settlement, marginal requirements, etc.);
- **The characteristics of the execution venues to which that order can be directed.**
(regulated market (exchange)/MTF, jurisdiction, trading restrictions, quote-driven or order-driven, clearing and custody rules, liquidity, direct access or through intermediary, etc.).

Generally, the Company will give price a higher relative importance when obtaining the best possible result for Professional Clients. In the Company’s experience, the next most important factor after price is typically the speed of execution. However, in certain circumstances, for some client orders, Financial Instruments or markets, the Company, in its absolute discretion, may decide that other factors, including the need for timely execution, availability of price improvement, the liquidity of the market (which may make it difficult to execute an order), potential price impact, the size of the order, the nature of the financial transaction (including whether or not such transactions are executable on a regulated market, over-the-counter, or via either route) and the quality and cost effectiveness of any related clearing and settlement facilities, may be more important in determining the best possible execution result in accordance with its order execution policy.



Details to Retail Clients

The Company shall provide Retail Clients with the following details on its execution policy, in good time prior to the provision of the service of execution of orders:

- a. An account of the relative importance the Company assigns, in accordance with the following criteria:
 1. The characteristics of the client including the categorization of the client (i.e. as Retail);
 2. The characteristics of the client order;
 3. The characteristics of Financial Instruments that are the subject of that order;
 4. The characteristics of the execution venues to which that order can be directed.

to the factors: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order, or the process by which the Company determines the relative importance of those factors;

- b. A list of the execution venues on which the Company places significant reliance in meeting its obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of client orders;
- c. A clear and prominent warning that, any specific instructions from a client may prevent the Company from taking the steps that it has designed and implemented in its execution policy, to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

The above information shall be provided in a durable medium, or by means of a website (where that does not constitute a durable medium) provided that it does not give rise to any conflict of interest.

The role of price when obtaining best execution

For a retail client, the best possible result will always be determined in terms of the “total consideration”. The total consideration represents:

- (a) the price of the financial instrument/contract; and
- (b) the costs related to execution, which will include any expenses incurred by the client which are directly related to the execution of the order

This can include:

- execution venue fees;
- clearing and settlement fees; and
- any other fees paid to third parties involved in the execution of the order.

Therefore, when the Company is dealing for its clients or on their behalf, obtaining the best result in terms of total consideration will take precedence over the other execution factors listed above. This means that speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs will be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to you.



Accordingly, the best possible result will be determined in terms of the total consideration, representing the price of the contract and the cost related to execution. The other execution factors of speed, likelihood of execution and settlement, size, nature, market conditions and variations or any other relevant consideration will, in most cases, be secondary to price and cost considerations, unless they would deliver the best possible result for the client in terms of total consideration.

Specific Instructions

In circumstances where the Client provides the Company with a specific instruction as to how to execute an order and the Company has accepted this instruction, then the Company will execute the order in accordance with that specific instruction.

Nevertheless, if the Client provides a specific instruction to carry out an order, then by executing that order the Company will be complying with the Company's duty to provide the Client with best execution. This may result in being unable to follow the Company's Order Execution Policy for that particular order and it is therefore noted that the specific instruction provided by the client may prevent the Company from obtaining the best possible result for the client as otherwise would be implemented according to this Policy.

Execution Venues

Execution venues are the entities to which the orders are placed or to which the Company transmits orders for execution. The Company will enter into transactions with the Client as principal (counterparty) or as an agent. Depending on whether the Company transmits the Client's order to another (external) brokerage which is a member of an exchange or to a liquidity provider for execution, or via STP through a dedicated trading platform, the Company may or may not be contractual counterparty to the Client. Therefore, the Company will act as an Execution Venue for some Client orders whereas a multilateral trading system may serve as the Execution Venue for STP trades.

When the Client deposits funds with the Company and places an order via a trading platform, the Company is responsible for safeguarding Clients' funds. Upon receipt of the order, the Company opens an exactly identical order on its name with a third-party brokerage or a market maker, per order received or accumulatively. In this respect, the Company executes the Client order by acting as a riskless principal (i.e. enters into true back to back trades without assuming any market risk).

The Company does not have direct access to any stock exchanges, at the moment. The table below lists brokers that the Company currently uses for executing the Orders and respective stock exchanges (execution venues), to which each of these brokers provides access. The Company reserves the right to use other execution venues and third parties where it is considered appropriate in the light of this Policy, and it may from time to time remove and/or add an execution venue or a broker from this list.



Table A: The Execution Venues which will be used for executing the Orders

Executing Broker	Markets to which each Broker grants access for Execution				
	Equities	Debt Securities	Foreign Exchange	Collective Investment Schemes/Open-ended Investment Companies	Contingent Liability Investments
INTERACTIVE BROKERS (U.K.)	✓	✓	✓		
INTERACTIVE BROKERS LLC	✓	✓	✓		



Table B: Information regarding the Company's Brokers:

Name of Broker	Jurisdiction	Description	License Number	Date of License	Regulatory Authority
INTERACTIVE BROKERS (U.K.) LIMITED	UK	Investment company	208159	06/02/2002	authorised and regulated by the Financial Conduct Authority (FCA)
INTERACTIVE BROKERS LLC	USA	Investment company			authorised and regulated by the Securities and Exchange Commission (SEC)



Additional requirements as per MiFIR: Annual Reporting

The Company shall publish on an annual basis information on the quality of execution it has received from the top five (5) execution venues it has used for each class of Financial Instrument.

The Company shall summarize and make public in particular, when it selects other firms to provide order execution services, on an annual basis, for each class of Financial Instruments, the top five (5) investment firms in terms of trading volumes where it has transmitted or placed client orders for execution in the preceding year and information on the quality of execution obtained.

The Company should ensure that the information is consistent with the information published in accordance with the technical standards developed under *Article 27(10)(b) of MiFID II* (i.e. the reporting specifications in relation to the top five (5) venues).

The publication on the top five (5) execution venues shall contain the following information:

- a. class of Financial Instruments;
- b. venue name and identifier;
- c. volume of client orders executed on that execution venue expressed as a percentage of total executed volume;
- d. number of client orders executed on that execution venue expressed as a percentage of total executed orders;
- e. percentage of the executed orders referred to in *point (d)* that were passive and aggressive orders;
- f. percentage of orders referred to in *point (d)* that were directed orders;
- g. confirmation of whether it has executed an average of less than one trade per business day in the previous year in that class of Financial Instruments.

The above information shall be published for the top five (5) execution venues in terms of trading volumes for all executed client orders for each class of Financial Instruments.

The publication shall exclude orders in Securities Financing Transactions (SFTs).

The Company shall publish the top five (5) execution venues in terms of trading volumes for all executed client orders in SFTs for each class of Financial Instruments referred to in *Annex I in the format set out in Table 3 of Annex II of MiFIR*. The publication shall contain the following information:

- a. volume of client orders executed on that execution venue expressed as a percentage of total executed volume;
- b. number of client orders executed on that execution venue expressed as a percentage of total executed orders;
- c. confirmation of whether the investment firm has executed an average of less than one (1) trade per business day in the previous year in that class of Financial Instruments.

The Company shall publish for each class of Financial Instruments, a summary of the analysis and conclusions it draws from its detailed monitoring of the quality of execution obtained on the execution venues where it executed all client orders in the previous year.



The summary regarding the quality of execution shall include the following information:

- a. an explanation of the relative importance the Company gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;
- b. a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;
- c. a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;
- d. an explanation of the factors that led to a change in the list of execution venues listed in the Company's execution policy, (if such a change occurred);
- e. an explanation of how order execution differs according to client categorization, where the Company treats categories of clients differently and where it may affect the order execution arrangements;
- f. an explanation of whether other criteria were given precedence over immediate price and cost when executing Retail Client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;
- g. an explanation of how the Company has used any data or tools relating to the quality of execution, including any data published by execution venues;
- h. where applicable, an explanation of how the Company had used output of a consolidated tape provider.

Counterparties

The Company may give authorisation to its Counterparties to carry out the execution of its orders on different execution venues. Client transactions may be executed only with or through Counterparties that meet prescribed minimum requirements applied by the Company.

In the Counterparty selection process (as well as their evaluation) for trades, the Company considers a number of factors including the following:

- a. the quality and effectiveness of a Counterparty's execution policy, if relevant, in order for a Counterparty to reach the best possible result for the Company's clients;
- b. the Counterparty's ability to provide the best price and to maximise the opportunity for price improvement;
- c. the Counterparty's ability to provide favourable access to new issues;
- d. the Counterparty's ability to search for and obtain liquidity to minimise market impact and accommodate unusual market conditions;
- e. the Counterparty's ability to close open positions and meet its cash and other obligations in a timely manner;
- f. the Counterparty's ability to maintain and commit adequate capital when necessary to complete trades;
- g. the external credit of the counterparty if available;
- h. the Counterparty's ability to complete trades quickly and to minimise the number of incomplete trades;
- i. flexibility: is the Counterparty able to execute unique trading strategies/execute and settle difficult trades as well as unusual trading volumes;



- j. quality, offering, speed of electronic execution methods and program trading (ability to execute multiple transactions);
- k. discretion: is the Counterparty able to maintain the confidentiality of an order;
- l. efficiency and accuracy of the Counterparty's clearance and settlement process, including our split across clients.

In general, the selection process of Counterparties in relation to best execution is largely driven by the specific characteristics of the type of instruments, their characteristics and specific markets.

In all cases, the Company remains solely responsible for the execution of clients' orders. It remains fully responsible for discharging all of its obligations under the Law. Such counterparty risks shall be assessed by the Company's Risk Manager in the counterparty selection process as well as during the ongoing monitoring review of the performance of existing counterparties.

Monitoring

The Company will monitor and assess on a regular basis the effectiveness of this execution Policy and the order of its order execution arrangements and, in particular, the execution quality of the procedures explained in the execution Policy in order to deliver the best possible result for the client. Where appropriate, the Company reserves the right to correct any deficiencies in this execution Policy and make improvements to its execution arrangements.

The Company assesses on a regular basis, of particular transactions in order to determine whether it has complied with its Policy and/or arrangements, and whether the resulting transaction has delivered the best possible result for the client.

Conclusion

Appropriate information is provided to the Client on the content of the execution policy. The prior consent of the Clients is obtained regarding the documented Order Execution Policy that needs to be followed. In addition, a clear and prominent warning is disclosed to the Company's Clients (within the Client agreement) that any specific instruction from a Client may prevent the Company from taking the steps that it has designed and implemented in its execution policy for obtaining the best possible result for the execution of those orders in respect to the elements covered by those instructions.

Adequate information is provided to the Clients through the Order Execution Policy in relation to the factors that are taken into consideration by the management when handling Clients' orders. Also, the Order Execution Policy is reviewed periodically by the Company and the Clients are informed accordingly in relation to any material changes.