

## BEST EXECUTION POLICY FOR TRADING CFDS

*“The document that summarizes the policies and procedures established by the Company in order to comply with its obligation to act in accordance with the best interests of its Clients when transmitting Client orders to other entities for execution”*

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## 1. Introduction

1.1. X GLOBAL Markets Ltd (hereinafter called the “Company”) is a Cyprus Investment Firm incorporated under the laws of Cyprus, which has its principal place of business at 162, Fragklinou Rousvelt, 1st Floor, CY-3045 Limassol and registered with the Registrar of Companies in Nicosia under the number HE 291958. The Company is regulated by the Cyprus Securities and Exchange Commission as a Cyprus Investment Firm (CIF) under the License Number 171/12. The *Best Execution Policy for trading CFDs* (hereinafter called the “Policy”) is provided to Clients or potential clients in accordance with the provisions of the Investment Services and Activities and Regulated Markets Law of 2007 (No. 144(I)/2007), implementing Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments (“MiFID”) as amended by the Directive 2006/31/EC of the European Parliament and of the Council.

1.2. The *Policy* is an integral part of the *Client Agreement*, which constitutes an integral part of the *Collective Agreement*; the interpretation of the term *Collective Agreement* is set out in the *Client Agreement* (the agreement that constitutes the basis on which the Company provides investment services and ancillary services to the Client; such agreement can be found online under the *Legal Information* section at <http://www.xglobalmarkets.com>). The interpretation of terms used in the *Policy* is set out in section 2 of the *Client Agreement* (“Interpretation of Terms”). The definition of other terms used in the *Policy* is set out in the aforementioned Law and/or in the applicable legislation and may also be provided in the *Client Agreement* and/or in the *Policy*; such terms have quote marks. Terms without quote marks that are not interpreted in the *Client Agreement* and/or in the *Policy* shall have the meaning attributed to them in the

aforementioned Law and/or in the applicable legislation.

1.3. The Company has established and implements the *Policy* in order to comply with the requirements of applicable legislation for the establishment and implementation of specific policies and for the provision of specific information in the context of providing specific investment services to its clients.

## 2. Order Type Definitions

2.1 There are different types of orders as follows:

- (1) Buy Stop: this is an order to buy at a specified price (‘the stop price’) that is higher than the current market price.
- (2) Sell Stop: this is an order to sell at a specified price (‘the stop price’) that is lower than the current market price.
- (3) Buy Limit: this is an order to buy at a specified price (‘the limit price’) that is lower than the current market price.
- (4) Sell Limit: this is an order to sell at a specified price (‘the limit price’) that is higher than the current market price.
- (5) 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’). A ‘stop loss’ may be used to minimize losses.
- (6) 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’). A ‘take profit’ may be used to secure profits.

## 3. Reception and Transmission of Orders

3.1. The Company is required, when providing the service of reception and transmission of orders, to comply with its obligation to act in accordance with the best interests of its Clients when transmitting Client orders to other entities for execution. To this end, the Company shall take all reasonable steps to obtain the best possible result (i.e. best execution) for its Clients taking into account: prices, costs, speed, likelihood of execution and settlement, size, nature and/or any

other consideration relevant to the execution of the order. The relative importance of these factors is determined by reference to the characteristics of the Client including the categorization of the Client as Retail or Professional Client, the characteristics of the Client order, the characteristics of financial instruments that are the subject of that order and the characteristics of the “execution venues” to which that order can be directed.

**3.2. Price:** For any given CFD, the Company will quote two prices: the higher price (ASK) at which the client can buy (go long) that CFD, and the lower price (BID) at which the client can sell (go short) that CFD; collectively they are referred to as the Company’s prices. The difference between the lower and the higher prices of a given CFD is the spread. Such orders as Buy Limit, Buy Stop and Stop Loss, Take profit for opened short position are executed at ASK price. Such orders as Sell Limit, Sell Stop and Stop Loss, Take profit for opened long position are executed at BID price. The Company’s price for a given CFD is calculated by reference to the price of the relevant underlying financial instrument, which the Company obtains from third party external reference sources. The Company’s spreads can be found on the Company’s website. The Company updates its prices as frequently as the limitations of technology and communications links allow. The Company reviews its used third party external reference sources at least once a year, to ensure that the data obtained continue to be competitive. The Company will not quote any price outside Company’s operations time therefore no orders can be placed by the Client during that time.

If the price touches an order such as: Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop these orders are executed at once. But under certain trading conditions it may be impossible to execute orders (Stop

Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop) at the declared Clients price. In this case the Company has the right to execute the order at the first available price. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted, or this may occur at the trading session start moments.

The minimum level for placing Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit and Sell Stop orders, is 10 points from the Company’s market price for a given CFD where its spread is less than 10 points, and minimum level for a given CFD with a spread higher than 10 points is the spread itself.

**3.3 Costs:** For opening a position in some types of CFDs the Client may be required to pay commission or financing fees, the amount of which is disclosed on the Company’s website. Commissions may be charged either in the form of a percentage of the overall value of the trade or as fixed amount. In the case of financing fees, the value of opened positions in some types of CFDs is increased or reduced by a daily financing fee “swap rate” throughout the life of the contract. Financing fees are based on prevailing market interest rates, which may vary over time. Details of daily financing fees applied are available on the Company’s website.

For all types of CFDs that the Company offers, the commission and financing fees are not incorporated into the Company’s quoted price and are instead charged explicitly to the Client account.

**3.4 Speed of Execution:** The Company places a significant importance when executing Client’s orders and strives to offer high speed of execution within the limitations of technology and communications links.

3.5 **Likelihood of Execution:** Although orders placed by the Clients may be executed by the liquidity providers, the Company reserves the right to decline an order of any type or to offer the Client a new price for “market order”. In the last case, the Client can either accept or refuse the new price as explained in the agreement entered with the Client.

3.6 **Size of order:** The minimum size of an order is 0.01 lots. A lot is a unit measuring the transaction amount and it is different for each type of CFD. Please refer to the Company’s website for the value of each lot for a given CFD type. Although there is no maximum size of an order where the Client can place with the Company, the Company reserves the right to decline an order as explained in the agreement entered with the Client.

3.7 **Market Impact:** Some factors may affect rapidly the price of the underlying financial instruments from which the quoted price for its CFDs is derived. These factors may influence some of the factors listed above. The Company will take all reasonable steps to obtain the best possible result for its Clients.

3.8 **Nature and/or any other consideration relevant to the execution of the order.** The relative importance of these factors is determined by reference to the characteristics of the Client including the categorization of the Client as Retail or Professional Client, the characteristics of the Client order, the characteristics of financial instruments that are the subject of that order and the characteristics of the “execution venues” to which that order can be directed.

3.9 The Company does not consider the above list exhaustive and the order in which the above factors are presented shall not be taken as priority factor. Furthermore, the

Company may also take into consideration a range of different factors including the need for timely execution, availability of price improvement, the liquidity of the market, potential price impact, the size of the Order, the nature of the financial transaction and the quality and cost effectiveness of any related clearing and settlement facilities. Nevertheless, whenever there is a specific instruction from the client, the Company shall make sure that the Client’s order shall be executed following the specific instruction.

3.10 With respect to transmitting orders for execution on behalf of “Retail Clients”, the best possible result (i.e. best execution) shall be determined 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. For the purposes of

delivering best execution where there is more than one competing venue to execute an order for a financial instrument, in order to assess and compare the results for the Client that would be achieved by executing the order on each of the execution venues listed in the firm’s Order Execution Policy that is capable of executing that order, the firm’s own commissions and costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment.

3.11 With respect to each class of derivative financial instruments and specifically CFDs (access to the trading of which is provided by the Company), the Company transmits client orders for execution to third party entities. For client orders in

relation to the financial instruments offered by the Company, the Company acts as Principal and not as Agent on the Client's behalf at all times. Despite the fact that the Company electronically transmits client orders for execution to third party liquidity providers and/or other entities, contractually it is the sole counterparty to all client trades and any execution of orders is done in the Company's name; therefore, the Company is the sole Execution Venue for the execution of client orders.

#### 4. Order Execution Elements

**4.1 Prices:** The Company generates its own tradable prices based on price feeds from some of the world's leading liquidity providers and independent price providers. The main way in which the Company will ensure that the Customer receives the best execution will be to ensure that the calculation of the 'bid' and 'ask' spread is made with reference to a range of underlying price providers and data sources. The Company reviews its independent price providers at least once a year to ensure that correct and competitive pricing is offered.

**Re-quoting:** this is the practice of providing a secondary quote to the Customer after an 'instant order' has been submitted; the Customer must agree to this quote before the order is executed. The Company will re-quote 'instant orders' if the requested price originally specified by the Customer is not available. The secondary quote provided to the Customer is the next available price received by the Company from its third party liquidity providers. The Company does not re-quote 'pending orders'.

**Slippage:** at the time that an order is presented for execution, the specific price requested by the Customer may not be available; therefore, the order will be executed close to or a number of pips away from the Customer's

requested price. If the execution price is better than the price requested by the Customer that is referred to as 'positive slippage'. In contrast, if the execution price is worse than the price requested by the Customer this is referred to as 'negative slippage'. Please be advised that 'slippage' is a normal market practice and a regular feature of the foreign exchange markets under conditions such as liquidity and volatility due to news announcements, economic events and market openings. The Company's automated execution software does not operate based on any individual parameters related to the execution of orders through any specific Customer accounts.

**Partial fills:** this is the practice of executing an order in parts if there is not enough liquidity in the market at the time in order to fill-in the full order at a specific price. Partial fills may be executed at different prices.

**Commission:** the Customer shall be charged commission when trading some types of financial instruments. Further information is available on line at the Company's website.

#### 5. Order Type Execution

##### 5.1 "Meta Trader"

###### INSTANT ORDER(S)

**Instant Order:** this is an order to either buy or sell at the 'ask' or 'bid' price (respectively) as it appears in the quotes flow at the time the Customer presents the order for execution.

###### PENDING ORDER(S)

**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'. If the 'stop order' is not triggered it shall remain in the system until a later date subject to the conditions described in the 'Good till

Cancel' section. For further information please see the Company's website.

Stop Loss: this is an order to minimize losses. Once the market reaches the 'stop loss price' the order is triggered and treated as a 'market order'. If the 'stop loss' is not triggered it shall remain in the system until a later date. For further information please see the Company's website.

Good till Cancel ('GTC') (=Expiry): This is a time setting that the Customer may apply to 'pending orders'. The Customer may choose a specific date in the future until which the order may remain 'live' and pending execution; if the order is not triggered during this timeframe it shall be deleted from the system.

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. If the 'limit order' is not triggered it shall remain in the system until a later date subject to the conditions described in the 'Good till Cancel' section. For further information please see the Company's website.

Take Profit: this is an order to secure profits. Once the market reaches the 'take profit price' the order is triggered and treated as a 'limit order'. If the 'take profit order' is not triggered it shall remain in the system until a later date. For further information please see the Company's website.

Pending Order Modification or Cancellation: The Customer may modify/cancel a 'pending order' if the market did not reach the level of the price specified by the Customer.

NOTE: Most of the orders shall be automatically executed by the Company's MetaTrader4, as described above. But, it should be noted that the Company reserves the

right, at its absolute discretion, to manually execute in whole or in part an order of 100 lots or above, for major currency pairs; the same practice applies for orders of a significant size for minor currency pairs.

#### **MARKET ORDER(S)**

Market Order: this is an order to buy or sell at the current market price that is available. The system automatically aggregates the volume received from third party liquidity providers and executes the 'market order' at VWAP ('Volume-Weighted Average Price') that is the average and best available price at the time of the execution.

5.2 **Simultaneous Positions**: A Customer may hold up to 200 positions simultaneously (considered as summary of "Market" and "Pending Orders" per Customer.

5.3 The Company reserves the right to change the software trading platforms from time to time.

### **6. Best Execution**

6.1 The Company shall take all reasonable steps to obtain the best possible result for its Customers taking into consideration several factors when executing Customers orders against the Company's quoted prices. Prices, costs and currency conversion carry the highest importance when executing transactions for our Customers.

#### **6.2 Prices**

(1) Bid – Ask Spread: for any given Financial Instrument the Company will quote two prices: the higher price (ASK) at which the Customer can buy (go long) that Financial Instrument, and the lower price (BID) at which the Customer can sell (go short) that Financial Instrument; collectively referred to as the 'Company's prices'. The difference between the lower and the higher price of a given

Financial Instrument is called the spread.

(2) Pending Orders: such orders as Buy Limit, Buy Stop and Stop Loss/Take Profit for opened short position are executed at ASK price. Such orders as Sell Limit, Sell Stop and Stop Loss/Take Profit for opened long position are executed at BID price.

(3) The Company's price for a given Financial Instrument is calculated by reference to the price of the relevant underlying financial instrument which the Company obtains from third party liquidity providers. The Company updates its prices as frequently as the limitations of technology and communication links allow. The Company will not quote any price outside the Company's operations time (see Execution Venue below) therefore no orders can be placed by the Customer during that time.

(4) For the ECN platform, traders are routed directly to liquidity providers through the electronic execution system. This system automatically requests a quote from a selection of liquidity providers. In conjunction with the price, the Company quotes the available liquidity, (or 'market depth'), as obtained from its third party liquidity providers. The Company's software will automatically aggregate all available liquidity at the best possible prices available and fill at the Volume-Weighted Average Price (V.W.A.P.).

### **6.3 Charges and other costs:**

For opening a position in some types of Financial Instruments the Customer may be required to pay commission or other fees, if applicable. These amounts are disclosed in the contract specifications available at the Company's website.

(1) Commissions: commissions will be charged as a fixed amount and can be found at the Company's website.

(2) Financing Fee: in the case of financing fees, the value of opened positions in some types of Financial Instruments is increased or reduced by a daily financing fee "swap" throughout the life of the contract. Financing fees are based on prevailing market interest rates, which may vary. Details of daily financing fees applied are available on the Financial Instruments Contract Specifications section at the Company's website.

For all types of Financial Instruments that the Company offers, the commission and financing fees are not incorporated into the Company's quoted price and are instead charged separately to the Customer account.

### **6.4 Currency Conversion:**

The Company may provide a currency conversion quote from the Customer's balance currency to the currency of the relevant Financial Instrument. This will not reflect an actual conversion of currency in the Customer's account, and serves the purpose of calculating consideration in the balance currency only.

### **6.5 Speed of Execution:**

The Company places a significant importance when executing Customer's orders and strives to offer a high speed of execution within the limitations of technology and communication links. The use of wireless connection or dial-up connection or any other form of unstable connection at the Customer's end, may result in poor or interrupted connectivity or lack of signal strength causing delays in the transmission of data between the Customer and the Company when using the Company's electronic trading platform. This may result in the placement of the Customer's order at an out-of-date price, which the Company might decline and

provide the Customer with a new quote (i.e. re-quoting).

If the Customer undertakes transactions on an electronic system, he/she will be exposed to risks associated with the system including the failure of hardware and software (Internet / Servers). The result of any system failure may be that your order is either not executed according to your instructions or it is not executed at all. The Company does not accept any liability in the case of such a failure. The use of wireless connection or dial-up connection or any other form of unstable connection at the Customer's end, may result in poor or interrupted connectivity or lack of signal strength causing delays in the transmission of data between the Customer and Company's when using the Company's Electronic Trading Platform. This delay may result in sending to the Company out of date "market orders". In this case the Company will update the price and execute the order at the market price available.

#### **6.6 Likelihood of Execution:**

The Company may act as principal or as agent on the Customer's behalf. In either case, the Company relies on third party liquidity providers for prices and available liquidity. It therefore reserves the right to decline an order of any type.

6.7 **Orders:** Market Order, Buy Limit, Sell Limit, Sell Stop, Buy Stop, Stop Loss, Take Profit on Financial Instruments are executed in the manner explained under 'Order Type Execution' section above. It should be noted that the price at which a trade is executed may vary significantly from the original requested price during abnormal market conditions. This may occur, for example, in the following cases:

- (1) During Market opening.
- (2) During news' times

- (3) During volatile markets where prices may move significantly away from the declared price.
- (4) Where there is rapid price movement - if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange, trading is suspended or restricted.
- (5) If there is insufficient liquidity for the execution of the specific volume at the declared price.

The Company strives to provide the best possible price to its Customers, and makes every effort and necessary arrangements to do so.

#### **6.8 Likelihood of Settlement**

The Company shall proceed to a settlement of all transactions upon execution of such transactions.

#### **6.9 Size of Order**

All orders are placed in lot sizes. A lot is a unit measuring the transaction amount and it is different for each Financial Instrument. Details of the lot sizes are available on the Contract Specifications in the Company's website. Although there is no maximum order size that the Customer can place with the Company, the Company reserves the right to decline an order as explained in the agreement entered into with the Customer.

The Company makes every effort to fill the order of the Customer irrespective of the volume. But, if this is achieved, it may be at the best available price as the market liquidity may allow at the time of execution. (See 'Likelihood of Execution')

#### **6.10 Market Impact:**

Some factors may alter significantly the price of the underlying financial instruments, from how the price that was quoted by the Company for its

Financial Instruments was derived. The Company will take all reasonable steps to obtain the best possible result for its Customers.

The Company does not consider the above-mentioned factors to be exhaustive and the order in which the above factors are presented do not reflect any prioritization.

Nevertheless, whenever there is a specific instruction from the Customer, the Company shall make sure that the Customer's order shall be executed following the specific instruction.

The Company will determine the relative importance of the above factors by using its commercial judgment and experience in the light of the information available on the market and taking into account the criteria described below:

- (1) The characteristics of the Customer including the categorization of the Customer as retail or professional.
- (2) The characteristics of the Customer order.
- (3) The characteristics of the financial instruments that are the subject of that order.
- (4) The characteristics of the execution venues to which that order can be directed.

The best possible result for a Customer shall be determined 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 Customer which are directly related to the execution of the order.

#### 6.11 Specific Client Instructions

Where clients ("you" or "your") provide us with specific instructions as to the execution of an Order, we will execute the Order in accordance with those specific instructions. Where your instructions relate to only part of the Order, we will

continue to apply its Order execution policy to obtain the best possible result in respect of the elements covered by those instructions.

The Client acknowledges that the Company's compliance with any specific instructions from a client may prevent the firm 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. In the event that, due to any reason whatsoever, the execution is not possible, the Company shall promptly inform the Client of the impossibility of execution and shall request new instructions relating to the execution of the Orders, having the right to act in accordance with the Client's presumable interest.

### **7. Execution of Orders**

7.1. For the avoidance of any doubt the said *Policy* shall also constitute the Company's Order Execution Policy in accordance with the requirements of applicable legislation. With respect to each class of derivative financial instruments and specifically CFDs (access to the trading of which is provided by the Company), the Company transmits client orders for execution to third party entities. For client orders in relation to the financial instruments offered by the Company, the Company acts as Principal and not as Agent on the Client's behalf at all times. Despite the fact that the Company electronically transmits client orders for execution to third party liquidity providers and/or other entities, contractually it is the sole counterparty to all client trades and any execution of orders is done in the Company's name; therefore, the Company is the sole Execution Venue for the execution of client orders.

7.2. The Company places significant

reliance to the above Execution Venue based on the factors set out in section 6 and their relative importance. It is the Company's policy to maintain such internal procedures and principles in order to determine the relative importance of these factors and to act for the best interest of its Clients and provide them the best possible result (or "best execution") when dealing with them. In the future, the Company has the right to use other execution venues where deemed appropriate in accordance with this *Policy* and may add or remove any execution venue (to which it places significant reliance based on the factors set out in section 6 and their relative importance) from its list of execution venues which will be made available at such time through this document. A complete list of the execution venues that are used by the Company at any point in time can be provided to the Client, upon request.

## 8. Specific Client Instructions

8.1. The Company satisfies its obligation to act in accordance with the best interests of its Clients when transmitting Client orders to other entities for execution and/or when executing orders on behalf of its Clients, and is not required to take any of the steps mentioned in the *Policy* with respect to orders transmitted for execution and/or executed on behalf of Retail and/or Professional clients, to the extent that it follows specific instructions from such Clients when placing an order with, or transmitting an order to, another entity for execution. The Company hereby provides a clear and prominent warning that any specific instructions from a Client may prevent it from taking the steps that it has designed and implemented to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions. Further, such obligation is in respect of transmitting orders for execution and/or of executing orders when dealing only on behalf

of "Retail Clients" and "Professional Clients", not on behalf of "Eligible Counterparties".

## 9. Monitor and Review of the Policy

9.1. The Company monitors on a regular basis the effectiveness of the *Policy* and, in particular, in the context of providing the investment service of reception and transmission of orders, the execution quality of the entities identified in the *Policy* and, in the context of providing the investment service of execution of orders, whether the execution venues included in the *Policy* provide for the best possible result for its Clients or whether changes to the relevant execution arrangements are warranted by the circumstances. Where appropriate, the Company corrects any deficiencies.

9.2. The *Policy* is reviewed annually; notwithstanding ad-hoc reviews carried out whenever a material change occurs that affects the Company's ability to continue to obtain the best possible result for its Clients. The Company shall notify its Clients of any material changes to its order execution arrangements or to the *Policy*.

## 10. Client Consent

10.1. The Company wishes to emphasize on the fact that Client orders related to CFDs are transmitted for execution and/or are executed outside a "regulated market" or an "MTF". The Company is required to obtain the prior express consent of its Clients before proceeding to transmit for execution and/or execute their orders outside a "regulated market" or an "MTF". In addition, the Company is required to obtain the prior express consent of its Clients to the said *Policy*.

10.2. Clients shall be deemed to have provided their express consent to both the practice of transmitting for execution and/or executing their orders outside a "regulated market"

or an “MTF” and to the *Policy*, as amended from time to time, by accepting the Collective Agreement or by effecting a “transaction” following the receipt of the notice of any amendment of the *Policy*.