

## Tullett Prebon Execution and Order Handling Policy

November 2017

This Execution and Order Handling Policy (the “**Policy**”) is applicable to execution services provided to you by any of the following entities and any of their successors, together with any affiliates of them that are authorised to provide investment services and operate under the Tullett Prebon brand within the UK or any other member state of the European Union/European Economic Area (“**EU/EEA**”):

Tullett Prebon (Europe) Limited;  
Tullett Prebon (Securities) Limited; or  
Tullett Prebon (Equities) Limited,

(“**TP**”).

The Policy should be read in conjunction with the Tullett Prebon Terms of Business.

### **Execution Services**

In providing execution services to you in relation to financial instruments (as set out in Annex 1), TP may (subject always to applicable law):

- (1) arrange a transaction in the over-the-counter financial or commodities markets, which may be inside or outside of the EU/EEA;
- (2) arrange for the submission of trading interests to a trading venue for execution, which may be inside or outside of the EU/EEA;
- (3) arrange a transaction which is submitted to a trading venue for registration, which may be inside or outside of the EU/EEA;
- (4) within an TP-operated organised trading facility (“**OTF**”), arrange and execute orders placed on that TP OTF; or
- (5) transmit an order to another entity (which may be an affiliate of TP) for execution in accordance with one of the methods described above.

### **Organised Trading Facilities**

The European regulatory package known as MiFID II introduced OTFs as a new type of multilateral trading venue alongside regulated markets (“RMs”) and multilateral trading facilities (“MTFs”). Details of the OTFs operated by TP are contained in the official rulebooks, which should be consulted for information on the financial instruments, other products and transaction types that are tradable within them. The operator of an OTF is required to exercise discretion in relation to the execution of orders, either when deciding to place or retract an order on the OTF and/or when deciding not to match potential orders available in the system. The exercise of discretion within TP’s OTFs is separate from the requirement to provide best execution, which is discussed in more detail in Annex 2.

### **Business Models**

TP’s execution services are provided through:

- voice broking, where brokers, supported by proprietary screens displaying historical data, analytics and real-time prices, discover price and liquidity for their clients; and
- electronic platforms.

These arrangements can be combined in hybrid broking models, which allow for the interaction of trading interests through both voice and electronic systems.

The business brokers products using three major execution methods:

- Name Passing (where all counterparties to a transaction settle directly with each other or through a settlement agent);
- Matched Principal (where a TP entity is a counterparty to both sides of a matching trade); or
- Exchange Give-Up (where a broker places an order for a client on a trading venue and then “gives up” the resulting trade to the relevant client or its clearer).

A derivation of this business model includes trades which are privately negotiated and registered on an exchange or MTF or provides the clients with a settlement process through a central counterparty (CCP settlement).

### **When Best Execution Is Owed**

TP will take sufficient steps to achieve the best overall trading result when acting as broker in the execution or reception and transmission of orders in financial instruments and, when acting as the operator of an OTF, in concluding transactions in financial instruments on that OTF. This means that TP will aim to provide “best execution” subject to and taking into account the nature of your orders, the prices available to TP in the market, the nature of the market in question and a reasonable assessment of the relevant execution factors (which are detailed below).

TP’s intention is, so far as possible, to exercise consistent standards and operate the same processes across all markets, clients and financial instruments in which it operates. TP also intends to provide you and other market participants with access to (where possible) tradable prices on a non-discriminatory basis. However, the diversity in those markets and instruments, what TP knows of your own trading intentions, and the kind of orders that you may place, mean that different factors will have to be taken into account in relation to any particular transaction.

### **When Best Execution Is Not Owed**

Notwithstanding the intentions expressed above, TP does not undertake to provide “best execution” in the following circumstances:

#### Eligible Counterparties

- If you are classified as an Eligible Counterparty, you will not be entitled to best execution under the UK Financial Conduct Authority (“**FCA**”) or equivalent EU/EEA rules (pursuant to Article 30 of MiFID II, which disapplies the best execution obligation under Article 27 of MiFID II for Eligible Counterparties).

### Legitimate reliance

- In the wholesale OTC derivatives and bond markets (and for the avoidance of doubt this would include derivatives in Equities, Energy and Commodities) in which TP operates (and as recognised by the European Commission) it is normal market practice for buyers and sellers to “shop around” by approaching several brokers/dealers for a quote. In these circumstances, there is no expectation between the parties that the broker/dealer chosen will owe best execution. As a sophisticated participant in the wholesale markets, unless you advise us to the contrary we will assume that this is your normal trading behaviour.

### **When Best Execution is deemed to have been provided**

TP is deemed to have provided “best execution” in the following circumstances:

#### Client Instructions

- Where you provide TP with a specific instruction in relation to your entire order, or any particular aspect of your order, including an instruction for your trade to be executed on a particular venue, TP will execute the order in accordance with your instructions. In following your instructions, TP will be deemed to have taken all sufficient steps to provide the best possible result for you in respect of the order, or aspect of the order, covered by your specific instructions.<sup>1</sup>

Note that when you aggress a resting order or place an order on a TP MTF, the best execution provisions of MiFID II will not apply to the operator of the MTF.

### **Clients**

TP clients must be classified as either Eligible Counterparties or Professional Clients as defined in MiFID II and by the FCA. The classification of a client is notified to the client in a separate notice (the Client Classification Notice).

MiFID II entitles clients to request a different client classification from that notified in the Client Classification Notice in respect of one or more investment services or transactions, or one or more types of transaction or product. Any such request must be made to TP in writing. However, because TP always intends to handle orders and indications of interest in an equitable and consistent manner, once a client is classified as an Eligible Counterparty for the purposes of a particular instrument, it is TP’s policy that it will decline to provide services should an Eligible Counterparty request to be re-classified for the purposes of one transaction of a type it customarily undertakes.

There may be exceptional circumstances and TP will consider each written request on a case by case basis.

### **Execution Venues**

This Policy sets out the venues on which TP may execute your order. It has identified those venues on which TP most regularly seeks to execute your orders and which TP believes offer the best prospects for achieving the best possible results for you, taking into account the execution factors detailed below. TP is able to execute trades on your behalf on any of the following execution venues:

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<sup>1</sup> Article 66(3)(f) of DA2.

- any MTF operated by TP;
- any OTF operated by TP;
- regulated markets, MTFs and OTFs not operated by TP;
- (in a quasi-venue or non-venue capacity), systematic internalisers, market makers or other liquidity providers; and
- execution venues in non-EU/EEA countries that perform a similar function to any of the foregoing to which TP has access and which are listed in Annexes 3 – 9 according to the relevant classes of financial instrument. Please note that this list is not intended to be exhaustive and TP reserves the right to utilise alternative execution venues.

When selecting the venue on which to transact, TP will take sufficient measures to ensure that the selected venue obtains the best possible trading result for its clients, subject to the following general factors:

- In the OTC markets in which TP operates, it can only give clients visibility to prices that have been communicated to TP by other clients that operate in the same market; accordingly, any “best outcome” will solely be within these limits. However, when executing orders or taking a decision to deal in OTC products, including bespoke products, TP will check the fairness of the price proposed to the client by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products;
- TP will provide details of all tradable bids and offers (subject to the other matters referred to below);
- Time availability of prices – in many markets, there are lulls and spikes in trading as negotiations align trading interests at different times and different parts of the curve; accordingly, the “last traded” price may not always be available or act as a reliable indicator of current price;
- TP cannot allow clients to trade in a market unless it is reasonably satisfied that the client (via an agent or otherwise) is operationally capable of settling the relevant trade;
- TP cannot control either the cost of credit (credit premium) or credit acceptance between its clients; and
- where TP invites you to choose one execution venue rather than another, we will provide fair, clear and not misleading information to prevent you from choosing one execution venue rather than another on the sole basis of the price policy applied by TP.<sup>2</sup>

In cases where TP applies different fees depending on the execution venue, we will explain these differences to you in sufficient detail to allow you to understand the advantages and disadvantages of the choice of a particular execution venue.<sup>3</sup> Similarly, TP will inform you of any inducements (if any) it receives from an execution venue and of the value of any monetary or non-monetary benefits it receives in circumstances where TP charges more than one participant in a transaction.<sup>4</sup>

The execution venues on which TP places particular reliance in meeting its best execution obligations, and the relevant factors for selecting a particular execution venue, also vary depending on the class of financial instruments to which your order relates. Please see Annexes 3 – 9 for more detail on the variation that applies across the various classes of

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<sup>2</sup> Article 66(5) of DA2.

<sup>3</sup> Article 66(4) of DA2.

<sup>4</sup> Article 66(6) and (7) of DA2.

financial instruments.<sup>5</sup> These Annexes also specify in which circumstances TP may execute an order outside a trading venue.<sup>6</sup>

TP will publish the top five execution venues in terms of trading volumes for all executed client orders per class of financial instruments in accordance with the provisions in RTS 28 of MiFID II. This will be made available on TP's website.

## Execution Factors

In the absence of express instructions from you, TP will exercise its own discretion in determining the factors that TP needs to take into account for the purpose of providing you with the best possible result.

These execution factors in the wholesale markets in which TP operate will include, but are not restricted to, the:

- characteristics of the client;
- size, nature and characteristics of the order;
- characteristics of the execution venue on which that order can be directed;
- likelihood and speed of execution; and
- price and costs of execution.

The importance of each of the execution factors may be weighted differently depending on the class of financial instruments and the type of service provided. Please see Annexes 3 – 9 for more detail on the variation that applies across the various classes of financial instruments.<sup>7</sup>

## Order Handling

When handling orders, our objective is to:

- ensure that executed client orders are promptly and accurately recorded and allocated; and
- carry out otherwise comparable client orders sequentially and promptly unless: (i) otherwise instructed by the client; (ii) the characteristics of the order or prevailing market conditions make this impracticable; or (iii) the interests of the client require otherwise.

In the case of client limit orders (as defined by MiFID II) in respect of shares admitted to trading on a regulated market or traded on a trading venue which are not immediately executed under prevailing market conditions, TP will take measures to facilitate the earliest possible execution of that order by making public immediately that client limit order in a manner which is easily accessible to other market participants (by submitting the order for execution to a regulated market or a MTF or ensuring the order is published by a data reporting services provider located in an EU member state and can be easily executed as soon as market conditions allow) unless:

- express instructions are given by the client not to publish; or
- the order is large in scale compared to normal market size (as defined by MiFID II).

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<sup>5</sup> Article 66(3)(b) and (c) of DA2.

<sup>6</sup> Article 66(3)(e) of DA2.

<sup>7</sup> Articles 64(1) and 66(3)(a) and (d) of DA2.

When TP accepts an order from you to effect a single transaction or a series of transactions for the purpose of acquiring or disposing of all or part of a portfolio or a large basket of securities, it may undertake other client orders with respect to the constituent securities or any related security which could have an impact on the price of the constituent security.

If you are a non-exempted US client under Section 15a-6 of the Securities Exchange Act of 1934, an appointed US Broker Dealer will act in the capacity of US intermediary broker-dealer for securities transactions. The appointed US Broker Dealer used in each instance will be dependent on the TP entity that has undertaken the transaction with you and will be notified to you as necessary.

### Settlement of Orders

Where it is responsible for overseeing or arranging the settlement of an executed order, TP will take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

### Aggregation and Allocation

TP may aggregate your orders with its own orders, that of its affiliates and those of other clients, in order to improve the quality of execution.

Whilst TP will only aggregate client orders if it is unlikely the aggregation will work overall to the disadvantage of those clients whose orders are aggregated, it is possible that the effect of such aggregation may work to the disadvantage of a client in respect of particular orders. In the unlikely event that TP aggregates your order with that of another client, the subsequent execution will be promptly recorded and allocated fairly. TP will not give preference to one client over another.

### Misuse of Information / Confidentiality

TP will take all reasonable steps to prevent the misuse of information relating to pending client orders by any of its relevant persons. For this purpose, TP operates barriers which limit the flow of potentially sensitive information between colleagues and different areas of the business. TP's internal dealing rules prevent employees in possession of price sensitive information from taking advantage of that information by dealing in that security or arranging for someone else to do so.

Further details in respect of the confidentiality procedures implemented by TP are provided in the TP ICAP Conflicts of Interest Management Policy which is available on the TP website and which can also be obtained by contacting the client on-boarding department on [COB@tullettprebon.com](mailto:COB@tullettprebon.com).

### Monitoring and Review

TP will monitor the effectiveness of its order execution and order handling arrangements as documented in this Policy in order to identify and, where appropriate, incorporate any required amendments to this Policy and any attendant procedures.

TP will assess, on a regular basis, whether the execution venues included in this Policy provide for the best possible result for its clients or whether TP needs to make changes to its execution arrangements. Such assessments will include, but will not be limited to:

- reviewing the quality of execution reports provided by those execution venues on which it places a significant reliance against other execution venues in the market; and
- when executing orders in OTC products, including bespoke products, checking the fairness of prices proposed to clients by gathering market data used in the estimation of the price of such products and, where possible, by comparing with similar to comparable products.

TP will review its order execution arrangements and this Policy at least annually or whenever a material change occurs that affects its ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the venues included in this Policy.<sup>8</sup> TP will notify you of any material changes to its order execution arrangements or this Policy as described above by posting the information on TP's website.

### No Fiduciary Relationship

TP's commitment to provide you with "best execution" does not mean that it owes you any fiduciary responsibilities over and above the specific regulatory obligations placed upon it or as may be otherwise contracted between TP and yourself. You remain responsible for your own investment decisions and TP will not be responsible for any market trading loss you suffer as a result of those decisions.

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<sup>8</sup> Article 66(1) of DA2.

## ANNEX 1: FINANCIAL INSTRUMENTS AS DEFINED BY MIFID II

1. Transferable securities
2. Money-market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of a default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF; and
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

## ANNEX 2<sup>9</sup> - USE OF DISCRETION BY TP IN RELATION TO OTF BUSINESS

Pursuant to Article 20(6) of MiFID II, execution of orders in an OTF will be carried out on a discretionary basis by the operator of the OTF. When carrying on OTF business, TP uses a combination of order level and execution level discretion; namely:

- (a) when deciding to place an order into or retract an order from the OTF (**Order Level Discretion**); and/or
- (b) when deciding not to match a specific client order with other opposite orders available on the systems at a given time (**Execution Level Discretion**).

The discretion exercised in respect of OTF business will be conducted in accordance with the best execution requirements under MiFID II, when they apply, and as set out in this Policy.

The OTF supports various trading systems<sup>10</sup> through which orders or indications of interest (**Trading Interests**) can be submitted by venue users or brokers on behalf of venue users and where they can interact with other Trading Interests (as part of the matching and execution process).

The nature of the discretion exercised will depend on the combination of trading systems used for a particular market segment (or sub-segment). In particular, each of the specific trading systems will enable the relevant broker to exercise discretion in different ways.

### Order Level Discretion

Order Level Discretion may be exercised by brokers that sit within the OTF (**Executing Brokers**). The operator of the OTF will have exercised Order Level Discretion in respect of Trading Interests whenever they have been placed in the OTF by an Executing Broker or removed from the OTF by an Executing Broker.

The operator of the OTF may establish parameters for trading by users of the OTF, which take account of the characteristics of the users and the market segment, which may be applied by the systems of the OTF to accept or reject Trading Interests. Trading Interests that are rejected will be reviewed by an Executing Broker or a person acting under their supervision.

If an Executing Broker determines at any time that a Trading Interest that has already been placed in the OTF (through any of the trading systems) should be removed, having regard to any applicable best execution requirements under MiFID II and as set out in this Policy, the Executing Broker will have discretion to reject that Trading Interest entirely or to remove the Trading Interest and, where applicable, to send it to another execution venue. The availability of other execution venues will vary according to the product being traded and the extent of external liquidity, as well as any applicable best execution requirements under MiFID II and as set out in this Policy.

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<sup>9</sup> Article 20(8) of MiFID II and ESMA Q&A.

<sup>10</sup> E.g. a system following one or more of the methodologies which are described in MiFID II (Annex 1, RTS 2).

An Executing Broker may remove a Trading Interest from the OTF if, for example, the Executing Broker is aware that the venue user does not wish to be exposed to particular positions under certain market conditions. If such market conditions occur, the Executing Broker may remove that venue user's Trading Interests from the OTF.

As another example, if the speed of execution is a priority for a Trading Interest and there is greater liquidity at another venue available to the Executing Broker, the Executing Broker may remove a venue user's Trading Interest from the OTF and submit it to that other execution venue, improving the likelihood of execution.

If an Executing Broker rejects or removes a Trading Interest from the OTF, then it may be executed in accordance with any of the methods set out in this Policy.

### **Execution Level Discretion**

Execution Level Discretion may be exercised by Executing Brokers by determining that an order submitted to the OTF and matched with an opposing order in the OTF should not be executed against that other order. The Executing Broker will have regard to any applicable best execution requirements under MiFID II and as set out in this Policy. The factors that are relevant are those derived from any applicable best execution requirements under MiFID II and as set out in this Policy.

An example of the exercise of Execution Level Discretion in the OTF may include the determination that an order could be executed at a better price if it were to be broken into child orders.

## ANNEX 3 – CREDIT PRODUCTS

Credit products include (i) credit derivatives and (ii) corporate bonds and securitised debt instruments.

### 1. Execution Venues<sup>11</sup>

TP trades credit products on the following execution venues:

TP Execution Venues	Third Party Execution Venues
<ul style="list-style-type: none"> <li>• Tullett Prebon (Europe) OTF</li> <li>• Tullett Prebon (Institutional Services) OTF</li> <li>• Tullett Prebon (Securities) OTF</li> <li>• Tullett Prebon (Europe) MTF</li> <li>• Tullett Prebon (Securities) MTF</li> </ul>	<ul style="list-style-type: none"> <li>• ICAP WCLK MTF</li> </ul>

### 2. Weighting of Execution Factors<sup>12</sup>

For Credit products, the following Execution Factors are given greater weight in descending importance as follows:

- Price;
- Time priority;
- Size;
- Speed;
- Likelihood of execution; and
- Counterparty credit limit.

In illiquid markets, likelihood of execution and order size will have a stronger weighting.

Costs of execution is not an important Execution Factor for Corporate Bonds & Securitised Debt products.

### 3. Factors used to select Execution Venues<sup>13</sup>

For credit products, the sole factor used to select an execution venue will be client instruction. Orders in Credit products will either be received directly into a TP OTF (and consequently arranged and executed by the OTF operator), or received by TP as Investment Firm for the purposes of being registered onto a TP MTF.

<sup>11</sup> Article 66(3)(b) of DA2.

<sup>12</sup> Articles 64(1) and 66(3) (a) and (d) of DA2.

<sup>13</sup> Article 66(3)(c) of DA2.

#### **4. Execution outside a trading venue**<sup>14</sup>

TP will not execute Credit products outside of a trading venue (acting as an execution venue or trade registration venue).

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<sup>14</sup> A&O Note: See Article 66(3)(e) of DA2.

## ANNEX 4 - EQUITIES

Equities products include (i) cash equities and (ii) equity derivatives.

### 1. Execution Venues<sup>15</sup>

TP has access to and places significant reliance on the following execution venues:

TP Execution Venues	Third Party Execution Venues
<ul style="list-style-type: none"> <li>• Tullett Prebon (Securities) OTF</li> <li>• tpSEF</li> </ul>	<ul style="list-style-type: none"> <li>• Athens Stock Exchange</li> <li>• Australian Stock Exchange</li> <li>• Belgian Stock Exchange</li> <li>• Budapest Stock Exchange</li> <li>• Copenhagen Stock Exchange</li> <li>• Deutsche Borse - Xetra</li> <li>• Eurex – Futures and Options</li> <li>• EuroNext Amsterdam</li> <li>• EuroNext Paris – Futures and Options</li> <li>• Hong Kong Stock Exchange</li> <li>• ICAP WCLK MTF</li> <li>• ICE Europe – Futures and Options</li> <li>• Irish Stock Exchange (Xetra)</li> <li>• Istanbul Stock Exchange</li> <li>• Johannesburg Stock Exchange</li> <li>• Lisbon Stock Exchange</li> <li>• LSE &amp; LIO</li> <li>• Madrid Stock Exchange</li> <li>• Milan Stock Exchange Main Market (MTA)</li> <li>• NYSE</li> <li>• Oslo Stock Exchange</li> <li>• Prague Stock Exchange</li> <li>• Singapore Stock Exchange</li> <li>• Stockholm Stock Exchange</li> <li>• Swiss Exchange</li> <li>• Tel Aviv Stock Exchange</li> <li>• Tokyo Stock Exchange</li> <li>• Toronto Stock Exchange</li> <li>• Vienna Exchange (Xetra)</li> <li>• Warsaw Stock Exchange</li> </ul>

<sup>15</sup> Article 66(3)(b) of DA2.

## **2. Weighting of Execution Factors<sup>16</sup>**

The asset classes within Equities will determine the relative importance of the Execution Factors, as follows:

- For cash equities, the following Execution Factors are given greater weight in descending importance as follows:
  - Price;
  - Liquidity;
  - Size; and
  - Costs of execution.
- For equity derivatives, the type of trading capacity will determine the relative importance of the Execution Factors. These can be split into trade registration and name give up (NGU) business.

For registered trades, the Execution Factors will likely be weighted in the following descending order of importance:

- Price;
- Time priority;
- Speed;
- Size; and
- Likelihood of execution.

For orders which are large in size, likelihood of execution will be given more weight as it is more difficult to get larger orders executed in the market.

Costs of execution is not a major Execution Factor for these products.

## **3. Factors used to select Execution Venues<sup>17</sup>**

For cash equities, the factors used to select an execution venue are as follows:

- DMA algorithm rules
  - Where orders are placed in a DMA algorithm, the algorithm will determine on which execution venue to execute the order, based on the rules of the algorithm.
- The trading venue where a product is listed

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<sup>16</sup> Articles 64(1) and 66(3) (a) and (d) of DA2.

<sup>17</sup> Article 66(3)(c) of DA2.

- Where an order is placed directly onto a third party trading venue, the venue where the product is listed will determine the place of execution.
- Settlement type
  - For some equity products, the settlement type (e.g. cleared/non-cleared) will determine the execution venue which can be used.
- Client Instruction

For equity derivatives, the factors used to select an execution venue will be:

- Where the product is listed:
  - Where an order is placed directly onto a third party venue, the venue where the product is listed will determine the place of execution.
  - Where products are dual listed, the execution will take place on the venue with the most liquidity (which may be a third country trading venue), unless this venue is not eligible under MiFID II rules. In such situations, TP will execute trades on an EU trading venue or third country trading venue that is eligible under MiFID II rules (which could result in trades being executed on the venue with the least market liquidity). For certain transactions, the nature of the characteristics of the order may determine that the execution venue is not the venue with the most liquidity due to the certainty of execution of multiple orders as a whole being given a higher execution factor.
- Client Instruction

#### **4. Execution outside a trading venue**<sup>18</sup>

TP will not execute any Equity products outside of a trading venue (acting as an execution venue or trade registration venue).

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<sup>18</sup> Article 66(3)(e) of DA2.

## ANNEX 5 - RATES

### 1. Execution Venues<sup>19</sup>

TP has access to and places significant reliance on the following execution venues:

TP Execution Venues	Third Party Execution Venues
<ul style="list-style-type: none"> <li>• tpSEF</li> <li>• Tullett Prebon (Securities) OTF</li> <li>• Tullett Prebon Institutional Services OTF</li> <li>• Tullett Prebon (Europe) OTF</li> <li>• Tullett Prebon (Europe) MTF</li> </ul>	<ul style="list-style-type: none"> <li>• ICE/LIFFE</li> <li>• Eurex</li> <li>• iSwap MTF (EUR &amp; GBP IRS only)</li> </ul>

### 2. Weighting of Execution Factors<sup>20</sup>

For Interest Rate Derivatives (IRD), the following Execution Factors are given greater weight in descending importance as follows:

- Price;
- Size;
- Whether the trade is required to be traded on/off SEF

Some counterparties will not wish to or be registered to execute on a SEF and consequently the liquidity pool could be reduced

- CCP (for cleared products only)

It is market convention for trades to be cleared at LCH Clearnet. For some markets, other CCP's are active but have a small market share. Therefore, if a client instructs TP to use a CCP other than LCH Clearnet, this Execution Factor will be given greater weight.

- Likelihood of execution and settlement.

Costs of execution, Speed of Execution and type of trading capacity are not major Execution Factors for these products.

### 3. Factors used to select Execution Venues<sup>21</sup>

For IRD, the factors used to select an execution venue are as follows:

<sup>19</sup> Article 66(3)(b) of DA2.

<sup>20</sup> Articles 64(1) and 66(3) (a) and (d) of DA2.

<sup>21</sup> Article 66(3)(c) of DA2.

- Type of product traded

Not all products will be listed and available to trade on all venues.

- Client permissions/ability to trade

Orders will only be able to be executed by TP on venues where the client is permitted to trade. This factor is prevalent for trades which are required to be executed on a SEF platform.

- Client Instruction

Orders in IRD will either be received directly into the TP OTFs (and consequently arranged and executed by a TP OTF operator) or received by TP as an Investment Firm for the purposes of being registered onto a TP MTF.

#### **4. Execution outside a trading venue**<sup>22</sup>

TP will not execute orders in Rates products outside of a trading venue (acting as an execution venue or trade registration venue).

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<sup>22</sup> Article 66(3)(e) of DA2.

## ANNEX 6 – GOVERNMENT BONDS AND REPOS

### 1. Execution Venues<sup>23</sup>

TP has access to and places significant reliance on the following execution venues:

TP Execution Venues	Third Party Execution Venues
<ul style="list-style-type: none"> <li>• Tullett Prebon (Securities) OTF</li> <li>• Tullett Prebon Institutional Services OTF</li> <li>• Tullett Prebon (Europe) OTF</li> <li>• Tullett Prebon (Securities) MTF</li> <li>• Tullett Prebon (Europe) MTF</li> </ul>	<ul style="list-style-type: none"> <li>• Eurex</li> <li>• ICE</li> </ul>

### 2. Weighting of Execution Factors<sup>24</sup>

For Government Bonds, the following Execution Factors are given greater weight in descending importance:

- Price;
- Time priority;
- Size;
- Speed and likelihood of execution;
- Counterparty credit limit;

In illiquid markets, likelihood of execution and order size will have a stronger weighting.

In name give-up markets, counterparty credit limit could be the most important Execution Factor.

Cost of execution is not a major Execution Factor for these products.

For Repos, the following Execution Factors are given greater weight in descending importance:

- Counterparty credit limit;
- Price;
- Time priority;

<sup>23</sup> Article 66(3)(b) of DA2.

<sup>24</sup> Articles 64(1) and 66(3) (a) and (d) of DA2.

- Size;
- Speed of execution;
- Likelihood of execution;

In illiquid markets likelihood of execution and size will be given a stronger weighting.

Cost of execution is not a major Execution Factor for these products. In illiquid markets, likelihood of execution and order size will have a stronger weighting.

### **3. Factors used to select Execution Venues<sup>25</sup>**

For Government Bonds and Repos, the sole factor used to select an execution venue will be client instruction. Orders in Government Bonds and Repos will either be received directly into the TP OTFs (and consequently arranged and executed by a TP OTF operator) or received by TP as an Investment Firm for the purposes of being registered onto a TP MTF.

### **4. Execution outside a trading venue<sup>26</sup>**

TP will not execute orders in Government Bonds and Repos outside of a trading venue (acting as an execution venue or trade registration venue).

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<sup>25</sup> Article 66(3)(c) of DA2.

<sup>26</sup> Article 66(3)(e) of DA2.

## ANNEX 7 - COMMODITIES

### 1. Execution Venues<sup>27</sup>

TP has access to and places significant reliance on the following execution venues:

TP Execution Venues	Third Party Execution Venues
<ul style="list-style-type: none"> <li>• Tullett Prebon (Europe) OTF</li> <li>• Tullett Prebon (Europe) MTF</li> </ul>	<ul style="list-style-type: none"> <li>• Chicago Board of Trade (CBOT)</li> <li>• Chicago Mercantile Exchange (CME)</li> <li>• Euronext</li> <li>• European Energy Exchange (EEX)</li> <li>• Iberian Energy Derivatives Exchange (OMIP)</li> <li>• ICE</li> <li>• ICE Endex</li> <li>• London Metal Exchange (LME)</li> <li>• NASDAQ</li> <li>• Pegas</li> <li>• Singapore Exchange (SGX)</li> <li>• Spanish Futures &amp; Options Exchange (MEFF)</li> </ul>

### 2. Weighting of Execution Factors<sup>28</sup>

For Commodities, the type of trading capacity will determine the relative importance of the Execution Factors. These can be split in the commodity markets into trade registration and name give-up (NGU) business:

For trade registration markets, the Execution Factors will typically be weighted in the following order of descending importance:

- Price;
- Likelihood of execution;
- Size;
- Speed of execution

Although factors specific to the client or order may take precedence and change the relative importance of the general Execution Factors.

<sup>27</sup> Article 66(3)(b) of DA2.

<sup>28</sup> Articles 64(1) and 66(3) (a) and (d) of DA2.

For registered trades, credit worthiness of counterparties, cost of execution and settlement will not be relevant Execution Factors.

For NGU markets, the Execution Factors will typically be weighted in the following order of descending importance:

- Price
- Credit worthiness and the ability to trade with other counterparties;
- Likelihood of execution:
- Size;
- Speed of Execution

Although factors specific to the client or order may take precedence and change the relative importance of the general Execution Factors.

For NGU markets, cost of execution and settlement of trades will not be relevant Execution Factors.

### **3. Factors used to select Execution Venues<sup>29</sup>**

For Commodities, the factors used to select an execution venue are as follows:

- Type of Commodity contract traded

Certain commodity contracts only clear at certain venues). In such circumstances, the execution venue will be prescribed; TP will not 'select' the execution venue. This will be particularly prevalent for trade registration business.

- Client instruction/ability to trade on execution venues

For trade registration business, TP is only able to register trades onto venues to which the client(s) have the ability to trade.

For NGU business, all activity in MiFID II financial instruments relating to commodities will be carried out on the Tullett Prebon (Europe) OTF.

### **4. Execution outside a trading venue<sup>30</sup>**

Whilst transactions in commodities are predominantly executed on a trading venue, spot and some physically-settled instruments (not classified as financial instruments under MiFID II) will be executed off venue.

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<sup>29</sup> Article 66(3)(c) of DA2.

<sup>30</sup> Article 66(3)(e) of DA2.

## ANNEX 8 – MONEY MARKETS AND FX PRODUCTS

### 1. Execution Venues<sup>31</sup>

TP has access to and places significant reliance on the following execution venues:

TP Execution Venues	Third Party Execution Venues
<ul style="list-style-type: none"> <li>• Tullett Prebon (Securities) MTF</li> <li>• Tullett Prebon (Securities) OTF</li> <li>• Tullett Prebon (Europe) OTF</li> <li>• Tullett Prebon (Europe) MTF</li> <li>• tpSEF</li> </ul>	N/A

### 2. Weighting of Execution Factors<sup>32</sup>

The asset classes within MM & FX will determine the relative importance of the Execution Factors, as follows:

- For FX Options, the Execution Factors are weighted in the following descending order of importance:
  - Price;
  - Time;
  - Size; and
  - Likelihood of execution and settlement.
- For G10 FX products, the Execution Factors will likely be weighted in the following descending order of importance:
  - Price;
  - Time;
  - Size;
  - Execution instruction (all or nothing);
  - Likelihood of execution;
  - Credit worthiness / limits available between counterparties; and

<sup>31</sup> Article 66(3)(b) of DA2.

<sup>32</sup> Articles 64(1) and 66(3) (a) and (d) of DA2.

- Costs of execution.

For orders which are large in size, likelihood of execution will be assigned more weight.

- For emerging markets (EM) FX products, price, likelihood of execution and client credit worthiness will be weighted more equally than for G10 FX products.
- For non-deliverable forward (NDF) products, the Execution Factors will likely be weighted in the following descending order of importance:
  - Price;
  - Time;
  - Size;
  - Execution venue (e.g. client preference or requirement to trade on SEF or off SEF)
  - Likelihood of execution
  - Credit worthiness/limits available between counterparties; and
  - Costs of Execution
- For MM products, the Execution Factors will likely be weighted in the following descending order of importance:
  - Price and likelihood of execution are of equal importance (likelihood of execution will be given greater weight for NGU business);
  - Client's preferred execution method (i.e. matched principal or name give up)
  - Credit worthiness of clients;
  - Size;
  - Speed; and
  - Costs of execution.

### **3. Factors used to select Execution Venues<sup>33</sup>**

The factors used to select an execution venue are as follows:

- Type of product traded

Not all products will be listed and available to trade on all venues.

- Client permissions/ability to trade

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<sup>33</sup> Article 66(3)(c) of DA2.

Trades will only be able to be executed by on venues where the client or TP is permitted to trade. This factor is prevalent for trades which are required to be executed on a SEF platform.

- Client Instruction

#### **4. Execution outside a trading venue<sup>34</sup>**

Save as provided below, TP will not execute any trades in Money Market and FX products outside of a trading venue (acting as an execution venue or trade registration venue).

TP brokers (including Executing Brokers) have access to liquidity on a global basis. If a Trading Interest is matched and executed against an opposite Trading Interest in a third country that does not require the execution to take place on a regulated trading venue, and the rules to which the TP broker is subject do not require that all transactions involving the relevant financial instrument are executed on a regulated trading venue (e.g., the MiFID II trading obligation), then the TP broker may interact with a counterparty or intermediary in that third country to execute the trade, subject to any restrictions or limitations under applicable law.

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<sup>34</sup> Article 66(3)(e) of DA2.