

Our Approach to Best Execution

August 21, 2018
v1.1

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I. INTRODUCTION

As required by the Markets in Financial Instruments Directive II ('MiFID II'), this document (the "Policy") sets out Basis Capital Markets ("Basis") approach to best execution and arrangements for complying with the obligation to take all sufficient steps to obtain the best possible outcome for our client's orders (so called 'best execution'). As detailed in our Terms of Business, clients that place an order to transact with us after having received this document, as part of our Terms of Business or otherwise, are deemed to have consented to their transactions being handled in accordance with this Policy.

II. SCOPE

Basis is required to put in place an Order Execution Policy, and to take all sufficient steps to obtain the best possible outcome for clients who are 'legitimately relying' on Basis for the execution or receipt and transmitting of client orders in "financial instruments" (as defined in Annex 1 Section C of MiFID II), including but not limited to securities of issuers incorporated in Europe, Asia and the Americas. An order is an instruction to buy or sell a financial instrument which is accepted by Basis for execution or onward transmission to a third party and which gives rise to contractual or agency obligations to the client. This policy deals with the activities of Basis Sales and Trading divisions, covering Foreign Exchange Products, Rolling Spot Foreign Exchange Products, Contracts for Difference, Options, Futures, Commodity Futures and related OTC and Exchange Traded Derivative Products.

III. WHAT TYPE OF CLIENTS DOES BEST EXECUTION APPLY TO?

A client's regulatory classification, as detailed below, impacts the determination of whether a client is 'legitimately relying' on Basis to protect their interests, and as such whether best execution is owed. In order to determine whether a professional client is 'legitimately relying' on Basis in relation to a particular client order (whereby best execution is therefore owed to the client), four factors, known as the 'Four Fold Test', are considered by Basis:

- I. **Which party initiates the transaction:** Where it is Basis that 'initiates' a transaction the client is more likely to place 'legitimate reliance' on Basis. In this context, 'initiate' means where Basis approaches a client regarding a potential transaction;
- II. **Market practice and the existence of a convention to 'shop around':** In certain wholesale markets, there is a common practice or convention to 'shop around' and obtain quotes from a number of dealers prior to a client executing any transaction. The existence of such a practice indicates that a client is less likely to place 'legitimate reliance' upon Basis for best execution of the order (for example, wholesale markets and OTC markets feature 'shop around' practices);
- III. **The relative levels of price transparency within a market:** In certain markets, transparent prices may not be readily available to clients, and this indicates that the best execution obligation is more likely to apply; and
- IV. **The Terms of Business/ other information provided to clients should make clear if best execution applies or not.** This must reflect the economic reality of the relationship.

Professional Clients: Each specific transaction needs to be assessed in order to decide as to whether the client is 'legitimately relying' on Basis to protect their interests..

Eligible Counterparties: The best execution obligation is deemed not to apply when dealing with Eligible Counterparties.

All Basis employees who, on behalf of Professional clients, either execute client orders or pass orders for execution to other entities, must ensure such activities are conducted in accordance with this Policy. Section IV provides further guidance as to how best execution applies to professional clients, with various trading scenarios and examples provided.

IV. BEST EXECUTION – APPLICATION TO PROFESSIONAL CLIENTS

Where a professional client ‘legitimately relies’ on Basis to protect their interests in relation to the relevant elements of a transaction that may be affected by how Basis, or the entity to which the order is transmitted, executes the order, then the best execution obligation will apply. For example, a best execution obligation would likely apply where Basis executes an order by:

- Dealing as agent (e.g. Basis transmits an order for execution to a third party or Basis execution desk);
- Dealing as riskless principal; and
- ‘Working’ an order on behalf of a client (e.g. where Basis make decisions as to how the order is executed).

Please be aware that there are many circumstances, particularly in bond markets, where a client will not be ‘legitimately relying’ on Basis to protect its interests, and consequently where the best execution obligation will not apply. Detailed below are the main asset classes that Basis trade, further analyzed into key trading scenarios, along with an assessment for each of whether the best execution obligation applies or not. Such assessments are provided for guidance only, and do not apply in all circumstances. Where specific instructions are provided by a client then the best execution obligation will only apply to parts of the order - see Section VII.

Foreign Exchange – Cash Products (Spot FX, Contracts for Difference, Options etc.): When dealing in cash FX products Basis act in various capacities, though primarily as either agent or on a riskless principal basis. The best execution obligation is deemed to apply to cash FX trading.

Derivative Products: Basis transact in a range of listed and OTC Derivatives:

- **Exchange Traded Derivatives (Futures, Options, etc.):** Where Basis trade exchange traded derivatives on an agency basis, matching buyers and sellers in listed futures and options contracts. The best execution obligation is deemed to apply to such exchange traded derivative transactions; and
- **OTC Derivatives (SWAPS, Options etc.):** A client can sometimes but not always be assumed to have price transparency when trading OTC Derivatives, nor can a shop around process always be assumed to occur. The best execution obligation, therefore, may not always apply. For example, some FX Forwards/Options are more liquid and often subject to a shop around process. As a standard practice the four-fold cumulative test will be applied.
- **Firm Executable Quotes via Regulated Markets, Multilateral Trading Facility (“MTF”) or Organised Trading Facility (“OTF”):** Where Basis quote executable prices via regulated markets, MTFs or OTFs and subsequently transact on a riskless principal to principal basis with a client who has accepted Basis’s quote, then the best execution obligation would not be owed;
- **Firm Executable Quotes e-Trading Platform:** Trading platforms offer streaming Quote functionality whereby a number of dealers offer executable (for limited timeframes) prices in competition, which are displayed concurrently to the professional client. The best execution obligation would generally not be owed to clients executing transactions via such electronic processes as the quotes are always best available;
- **Request for Quote -e-Trading Platform:** E-trading platforms offer Request for Quote functionality whereby a number of dealers offer executable (for limited timeframes) prices in competition, which are displayed concurrently to the professional client. The best execution obligation would generally not be owed to clients executing transactions via such electronic request for quote processes;
- **Riskless Principal:** Where Basis deal on a principal to principal basis with a client and execute a matching order with another client at a similar time and on similar terms (allowing for any spread). Basis would not take any material risk on to its own balance sheet as the execution of one of the orders is dependent upon the receipt or execution of the other. Best execution will be owed to clients whose Cash FX transactions are executed on such a riskless principal basis;

- **‘Working’ an order on behalf of a client:** Where Basis take a client order and ‘work’ it in the market, looking to identify relevant securities from other market sources, then Basis are deemed to be making decisions as to how the order is executed, and the best execution obligation will apply;
- **Highly Illiquid Securities:** Where Basis trade a security that is ‘highly illiquid’ then it is less likely that the client has access to transparent prices or is able to obtain quotes from a number of different sources. There is therefore an increased likelihood that the client ‘legitimately relies’ on Basis to protect its interests in relation to the transaction, and as such the best execution obligation is deemed to apply; and
- **Captive Client:** Where a client does not apply the market convention to ‘shop around’ but instead only contacts Basis to obtain quotes. In such circumstances the client is deemed to be ‘legitimately relying’ on Basis to protect its interests in relation to the transaction, and as such the best execution obligation will apply.

V. ACHIEVING BEST CLIENT OUTCOMES

When the best execution obligation applies, and Basis are executing or receiving and transmitting orders in relation to financial instruments on behalf of a client, Basis will take all sufficient steps to achieve the best possible result for the client. This means that Basis is required to have in place policies and procedures that are designed to obtain on a consistent basis the best possible outcome for execution of client orders, subject to, and considering, the nature of the client orders, the priorities placed on Basis in filling those client orders, and the nature of relevant markets. Basis will ensure that clear instructions are received from clients on the relevant aspects of an order that Basis execute on a client’s behalf, so that where there is a legitimate reliance on us for best execution, Basis will comply with its best execution obligations.

In taking all sufficient steps, Basis will look to achieve the best balance across a range of sometimes conflicting execution factors. This does not mean achieving the best outcome for every individual client order, but the best possible outcome that can reasonably be expected given the resources available to Basis.

In extreme volume and volatile situations, trading venue system constraints may (depending upon the client’s instruction) require automated trading systems to be switched off and/or electronic routing to be suspended in favour of manual execution. Such events may lead to execution delays and increased market volatility. Clients should be aware that in such volatile markets, especially at or near the close of a standard trading session, an order may be executed at a substantially different price from the quoted bid or offer or the last reported trade price at the time of order entry. In addition, an order may only be partially executed or may be executed in several shapes at different prices; and opening prices may differ significantly from the previous day’s close.



VI. ORDER EXECUTION FACTORS

When determining the strategy for execution of a client's order Basis will take into consideration certain 'Execution Factors' as appropriate, in the context of the terms of the client's order. The 'Execution Factors' that Basis may consider include, but are not limited to:

- Price;
- speed;
- market liquidity;
- size of the order;
- likelihood of execution and settlement;
- costs of the transaction;
- market impact;
- nature of the transaction including whether it is executed on a regulated market, MTF, OTF or over the counter; and
- any other consideration relevant to the efficient execution of the order. Basis takes into account the following criteria when determining the relative importance of the various 'Execution Factors':
 - characteristics of the client (including whether they are categorised as a Retail or Professional client);
 - characteristics of the client's order (market order, limit order etc);
 - characteristics of the financial instruments that are the subject of the order (Contract For Difference, FX Contract, share, bond etc.); and
 - characteristics of any execution venues to which the order can be directed.

In the absence of specific instructions from the client (see Section VII below), Basis will exercise its own judgment, skill and experience, having regard to available market information when determining the 'Execution Factors' that it needs to take into account for the purpose of providing the client with best execution.

The diverse markets for different financial instruments, and the types of orders that clients place with Basis, means that different 'Execution Factors' could be applicable each time Basis considers a particular execution strategy. For example, there is no formalized market for some OTC transactions, in some markets price volatility may mean that timeliness of execution is a priority, whereas in an illiquid market the ability to actually execute the transaction may be the key execution factor.

In general, Basis regards price as being the most important consideration when seeking to obtain the best possible outcome for clients in accordance with this Policy. In certain circumstances Basis may decide in its absolute discretion that the other factors noted above may be more important than price. In addition, subject to any specific instructions which are given to Basis by a client (see Section VII), the financial instrument to which the order relates often dictates to a large extent the determination and ranking of the relative importance of the Execution Factors.

VII. SPECIFIC INSTRUCTIONS

Whenever a client gives a specific instruction to Basis as to the execution of its order, Basis, subject to the FCA Rules, will execute that order in accordance with the client's specific instructions. In following those specific instructions, Basis will be deemed to have satisfied its best execution obligations in respect of that part of the order to which the specific instructions relate. If a client requires its order to be executed in a particular manner, it must clearly state its desired method of execution when it places its order with Basis. To the extent that the client's specific instructions are not comprehensive, Basis will determine any non-specified aspects in accordance with this Policy.

It should be noted that specific instructions from a client may prevent Basis from taking the necessary steps it has designed and implemented in this Policy, to obtain the best possible outcome for the execution of those orders in respect of the elements covered by those instructions.

Where a client uses a direct market access ("DMA") or Sponsored Access ("SA") system provided by Basis (whereby the client selects transaction parameters, including price, client/venue, timing, size etc.), then such clients will be regarded as providing specific instructions to Basis in relation to the execution of their order. In such situations, Basis, while acting on the client's behalf in providing the DMA/ SA service, will be deemed to have satisfied its best execution obligations and the client will be deemed to have given a specific instruction for the whole order by means of the DMA/ SA system. Such a situation may occur where, for example, a client has been given access to a terminal linking that client to the trading venue (such as Euronext) which enables the client to enter orders directly on to the particular trading venue through Basis. Where an algorithm is used in the execution of a client order then the choice of that particular algorithm is not considered to be a form of specific instruction. The exception to this being where a client seeks customisation of Basis algorithms to meet their own needs, in which case a specific instruction is deemed to have been provided with respect to any such customisation.

VIII. EXECUTION VENUES

Subject to any specific instructions from a client, Basis may use one or more of the following venues to enable it to obtain the best possible outcome on a consistent basis when executing an order on a client's behalf:

- Systematic Internalizers;
- Multilateral Trading Facilities (MTFs);
- Organised Trading Facilities (OTFs);
- Regulated Markets;
- Internal sources of liquidity (i.e. matching client orders);
- Basis and its affiliated companies' trading desks (re proprietary positions, or where acting as a liquidity provider or market maker); and
- Third party investment firms and brokers (or non-EU entities performing similar functions, including but not limited to those in Asia and the Americas) which may also trade proprietary positions; act as market makers or as liquidity providers.

Basis is execution venue agnostic and will use the venues that allow it to obtain the best possible outcome on a consistent basis when executing an order on a client's behalf irrespective of the client's regulatory classification. A list of the execution venues used by Basis is set out in Appendix 1 to this Policy (the Execution Venues Information). This Policy, including the list of execution venues, can be found on the Basis corporate website (www.Basis.com) under the Notices and Policies tab. As well as having regard to an entity's access to markets and execution venues, when choosing entities for inclusion in the list, Basis assesses each entity's ability to obtain the best outcome on a consistent basis, having regard to the above 'Execution Factors'. This list is non-exhaustive, and Basis may use an execution venue that is not included on the list, for instance when executing an order for a financial instrument in which Basis do not normally transact. Further to the client's prior express consent, the entity to which its order is transmitted may execute that order outside a regulated market, MTF or OTF or similar non-EU market venue.

Where applicable, whenever a client places an order with us, Basis shall be entitled at its absolute discretion and without reference to the client, to select the venue for executing the order. Subject to any specific instructions, in order to select an Execution Venue for an order Basis will apply the following methodology:

- When carrying out orders on a Regulated Market, MTF or OTF Basis will select the Execution Venue that it considers the most appropriate, taking into account the different factors affecting the choice of Execution Venue listed in Section IX below. The Execution Venue may be a Regulated Market, MTF or OTF itself, or via a member firm who is a member of a Regulated Market, MTF or OTF;
- For a financial instrument admitted to trading on a Regulated Market, MTF or OTF where Basis believe an order can be executed to a client's advantage or at no disadvantage to a client, and to the extent permitted by MiFID II, Basis may transmit an order to, or execute an order on, an Execution Venue that is outside a Regulated Market, MTF or OTF;
- For a financial instrument not admitted to trading on a Regulated Market, MTF or OTF, Basis will select the Execution Venue that is considered the most appropriate, taking into account the different factors affecting the choice of Execution Venue listed in Section IX below; and
- Where Basis believe that an order can be executed to a client's advantage or at no disadvantage to a client, a Basis entity may be used as the Execution Venue.

Where Basis executes an order outside of a Regulated Market, MTF or OTF, there may be increased counterparty risk, i.e. the risk that the counterparty to the transaction does not fulfil its obligations. Additional information about the consequences of orders being executed outside of a Regulated Market, an MTF or an OTF is available upon client request. Due to the nature of some of the markets on which Basis's clients effect transactions, the execution venues chosen by Basis for executing orders are often product driven and there may only be limited venues for the execution of the products. Where necessary and relevant, Basis will consider the advantages of indirect access, namely transmitting client orders to another execution intermediary rather than executing those orders itself.

Clients may offer a venue of preference. Where this is unlikely to lead to the best possible outcome, Basis will endeavor to provide the client with adequate information, in a fair, clear and not misleading way, to allow it to make a more informed judgement.

Basis commissions and charging structure is designed not to discriminate between venues i.e. however client commissions may vary depending on the venue(s) chosen to execute a client's order. Execution commission is charged to clients at a flat basis points rate or on a cost per million. There is a connection/correlation between where orders are routed/executed, and the commission rates charged to clients. In addition, routing logic embedded into the smart order router is based on liquidity capture, not cost of execution. Basis receives no payment for order flow nor inducements from any venue. Where Basis is the execution venue (i.e. where Basis fills the client on risk), it will review the quality of its own execution in the same way as it would for any other execution venue.

IX. ASSET CLASS EXECUTION STRATEGIES

Basis adopts differing execution strategies depending on the client classification, asset class and market being traded. The best possible outcome will always be determined in terms of the total consideration, represented by the price of the financial instrument and the costs incurred by the client in relation to execution, which includes all expenses incurred by the client that are directly related to the execution of the order (e.g. execution venue, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order). Other factors as noted below under the particular asset classes may only be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible outcome in terms of the total consideration to the retail client.

For professional clients, guidance on the execution strategies likely to be employed, along with the relevant importance given to differing execution factors, is provided below for the main asset classes traded by Basis:

Foreign Exchange, Contracts for Difference and Options Cash Settled Products:

- Basis clients execute transactions on directly accessed markets via a trading terminal, as well as executing with/ through approved liquidity providers. The decision as to an appropriate execution venue is undertaken on a trade by trade basis, and depends on the reason for the trade, the size of the order, the percentage of average daily volume that the trade represents, the available liquidity in the stock at the time, or any other execution factors deemed relevant by Basis traders. Basis may utilise algorithms where appropriate depending on the nature of the trade;
- For smaller orders, price is the primary execution factor when choosing the appropriate venue as the markets are generally transparent and liquid, with costs being the second key factor;
- For larger orders, price is still the primary execution factor, but liquidity, likelihood of execution, reduction of market impact and speed of execution have greater importance and these execution factors will often drive the traders' decisions as to whether to pass the order to a broker or to execute directly with a particular execution venue;
- Where the order is to be passed to a liquidity provider for execution, Basis will select a liquidity provider from those that have been approved based primarily upon price, but also taking into account the following factors: liquidity capability, clearance and settlement capabilities, quality of service, access to markets, credit worthiness and financial stability; and
- To ensure quick executions and minimum market impact, such orders may be split among multiple brokers/ venues.

Exchange Traded Derivatives (Futures, Options, etc.):

- Basis clients transact in exchange-traded derivative instruments to facilitate client trading, hedge against market risk, and to gain exposure to underlying assets. Listed derivatives are in the majority of cases not fungible, and Basis choice of Execution Venue may therefore be limited. The decision to deal on a particular trading venue may therefore be based primarily on the fact that there are no alternative sources of dealing in the products being traded. For example, a client wishing to affect a transaction in 3-month short sterling future has no alternative than to transact on ICE Futures Europe as this is currently the only venue for that product. Where there is only one execution venue then time of execution will be the highest ranked execution factor.
- Where there is a choice of Execution Venue, price remains the primary factors, but Basis will, unless market conditions dictate, consider that time of execution, costs, order size, and likelihood of execution are also important execution factors.

OTC Derivatives (SWAPS, Options, Contracts for Difference, etc.):

- There are no formalised markets, and in most instances no standard settlement infrastructure, for OTC derivative transactions. Dealing in OTC derivatives will be limited to pre-authorized clients with whom legal and ISDA agreements are in place, including agreements to facilitate settlement ('give-up agreements') for certain centrally cleared derivative contracts, and in such cases the perceived operational efficiency of such clients will be relevant.
- In certain cases, the nature of the client order is such that the transaction is tailored to meet the client's specific needs and there are little or no comparable products available in the market from which a price and cost comparison can be made. Where this occurs, Basis will assess the unique features of the transaction, and the client's instructions to determine the relevant execution factors to be taken into account when executing the client order.
- In general, Basis consider price, followed by costs, as the most important factors. Other key execution factors include speed of execution, certainty of execution, and market impact.
- When executing client orders or taking decisions to deal in OTC products (including bespoke products), Basis 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

X. RECEIVING AND TRANSMITTING ORDERS

When Basis receives a client's order and transmits that order to another entity for execution, it will take all sufficient steps to achieve the best possible outcome, in accordance with this Policy, taking account of the factors noted above and any specific instructions received from the client in relation to that order (or a specific aspect of that order).

When determining the strategy for obtaining the best outcome for a client's order, in the absence of any specific instructions, Basis will consider if it is sufficient to simply transmit the order to another entity or whether it is necessary to exercise additional control when instructing the other entity in relation to that client's order. Where an affiliate of Basis is the entity to which it transmits a client's order for execution, Basis will review the quality of the execution in the same way as it would for any other execution venue.

XI. MONITORING AND REVIEW

Basis monitors the effectiveness of its order execution arrangements in a number of ways, which include a Best Execution Committee and Compliance monitoring and surveillance activities. Basis regularly assess whether the execution venues it accesses, and the brokers and dealers to whom Basis transmit orders, continue to provide for the best possible outcome for clients.

EFX Monitoring and Review: FX monitoring consists of a combination of pre-trade, real time, post trade and periodic execution monitoring.

Liquidity venue monitoring: Basis undertakes periodic reviews of Regulated Markets, FX liquidity banks, MTFs and OTFs regardless of whether Basis is connected to the liquidity venue. Factors assessed include: universe of securities covered; liquidity; market / sector share capture; post trade set up and structure; types / nature of participants; sustainability of liquidity venue; fee structure; and order placement functionality.

Consolidated Book and EBO: Basis systems build a consolidated book from the majority of venues which is used as a reference price for order placement. It also picks up where venues are down for technical reasons (circuit breakers etc.) and rebuilds the book around currently available venues.

Information Content Factor and Information Leakage: Basis monitors the quality of executions from all venues accessed by measuring their toxicity as well as expected versus realized fill rates to assess the level of leakage.

When selecting / onboarding Third Party liquidity Provider: as an executing broker in a market where Basis does not have a direct trading venue membership (or as a back-up in a membership market) and when selecting a prime broker, a number of factors are considered as part of the selection process, these can include: technical infrastructure; technical support; commission rates charged; operational support; counterparty risk; and available limit structure. Each liquidity provider selected is only utilized in a Direct Market Access capacity whereby Basis is using the third-party provider's technical connectivity/gateway to a trading venue and their membership of that venue to place and execute order flow. In all cases the liquidity provider will not interact with the order flow and Basis remains in full control of where and when orders are submitted. Each liquidity provider is assessed prior to connectivity being established as well as on an on-going basis. In each market, there is a primary and secondary provider. In the event a technical, or any other, issue occurs with the primary liquidity provider, the secondary provider connection can be migrated to the primary location in real time.



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Basis formally reviews both its order execution arrangements and this Policy at least annually or when a material change occurs in respect of one of our chosen execution venues or otherwise that affects our ability to continue to deliver best execution to clients. Changes to this Policy and the list of execution venues will be notified through the Basis corporate website and be available to current and prospective clients. Where a client makes a reasonable and proportionate request for information about Basis' policies and arrangements in relation to best execution and how they are reviewed, we will answer clearly and within a reasonable time. This may include a re-construction of a particular order and its executions, how the market was performing at the time and how Basis traded in order to achieve the best possible outcome for that particular client.

Basis will publish the following Best Execution reports on its public website:

- RTS 27 – Summary of the execution quality of transactions; and
- RTS 28 – The top 5 execution venues by product type and a summary of the analysis drawn from the monitoring of execution quality obtained during the preceding year.

Contact

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