

# Order execution policy

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## 1. Introduction

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and in accordance to the provisions of the Financial Services and Activities and Regulated Markets Law of 2017 (the “Law”) of the Cyprus Securities and Exchange Commission (“CySEC”), Initial Merit Secure Ltd formerly known as Nextrade Worldwide Ltd (hereinafter called the “Company”) is required to establish an Order Execution Policy (hereinafter called the “Policy”) and take all reasonable steps to obtain the best possible result (“Best Execution”) on behalf of its clients.

The Policy describes the way that the Company will achieve the best possible results for its clients by taking into consideration the provisions of the Delegated Regulation (EU) 2017/565 and includes information that must be provided to clients and potential clients in relation to the execution criteria and factors considered when trying to obtain best possible results on a consistent basis.

## 2. Scope

The Order Execution Policy of the Company applies to both retail and professional clients, when providing the investment service of Reception and transmission of orders only in relation to Financial contracts for differences (“CFDs”) as these are defined in point 9 of section C of Annex I of MiFID II.

The Company’s Best Execution obligations do not extend to Eligible Counterparties as per Article 30(1) of MiFID II.

Moreover, the Policy is limited when the Company receives specific client instructions as provided in section 6 of this Policy.

## 3. Best Execution Factors & Criteria

When receiving and transmitting clients’ orders to third parties (“receiving firms”) for execution, the Company takes into account multiple Execution Factors, in order to obtain the best possible result for its clients, such as:

- Price;
- Likelihood of execution;
- Size of order;
- Likelihood of settlement;
- Costs (direct or indirect);
- Speed of execution;
- Nature of the order;
- Any other considerations relevant to the execution of an order (e.g. prevailing market conditions).

The Company determines the relative importance of the aforementioned Execution Factors by taking into account the characteristics of the following Execution Criteria:

- the client including the categorization of the client as retail or professional,

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- the client's order,
- the financial instruments that are the subject of that order, and
- the Execution Venues to which that order can be directed.

The process by which the Company performs this assessment depends on the specifics of each case. The Company's execution obligations will be discharged in a manner that considers the different circumstances associated with the execution of the order as they relate to the financial instruments involved, namely OTC derivatives. Financial instruments of this nature are bilateral contracts that are arranged through negotiation, with a quote or price provided to a client. A client will decide whether or not to transact with the Company on the basis of that quote.

Price and costs will ordinarily be of high relative importance in obtaining best possible results. However, in some circumstances, reference to the Execution Criteria may appropriately determine that other Execution Factors have greater importance in achieving the best possible result for the client.

For retail clients, the best possible result 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.

## 4. Execution Venues

"Execution Venues" are the locations (with or without a physical presence) such as regulated markets, multilateral trading facilities, systematic internalisers, market makers, liquidity providers or any other entity that facilitates trading of Financial Instruments.

For the purpose of transmitting orders for execution, the Company acts as an agent on behalf of the Client. A list of the Execution Venues and intermediaries (third-party brokers) used by the Company for the execution of client orders in respect to each class of financial instruments can be found below:

### **Approved intermediaries:**

- **Broctagon Prime Ltd, License Number: 320/17**
- **FXNet Ltd**

### Derivatives' trading venues:

- All transactions in CFDs are undertaken over the counter (OTC) and NOT on a recognized exchange. As a result, such transactions may expose the Client to greater risks than transactions executed on regulated markets.

Although this list of Execution Venues and intermediaries (third-party brokers) is not exhaustive, it comprises those which the Company places significant reliance. The Company reserves the right to use other Execution Venues where deemed appropriate in accordance with the execution policy and may add or remove any Execution Venues from this list. A complete list of Execution Venues included in the Order Execution Policy of the Company can be provided to the client, upon request.

## 5. Selecting an Execution Venue

Subject to proper consideration of the Execution Criteria and Execution Factors referred to above, where there is more than one competing Execution Venue to execute an order for a financial instrument, the Company shall assess and compare the results for the client that would be achieved by executing the order on each of the Execution Venues.

The Company will transmit orders to those execution venues that it deems sufficient to provide the best possible result based on comparable venue information. Subject to any specific instructions, in meeting the best execution obligation to take all sufficient steps to obtain on a consistent basis the best possible result for the execution, the Company considers the following execution venues as appropriate:

- Regulated Markets (“RM”);
- Multilateral Trading Facilities (“MTF”);
- Organised Trading Facilities (“OTF”);
- Systematic Internalisers (“SI”);

An entity which performs a similar function in a third country to the functions performed by any of the foregoing outside the EEA which are regulated according to their local rules.

## 6. ORDER EXECUTION ELEMENTS

**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.

\* **Please note that this is not an exhaustive list.**

## 7. Order Execution Types

### **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.

**\*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. Once the 'market order' is triggered it shall be subject to the conditions described in the 'Good till Cancel' section.

**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/Cancellation:** the Customer may modify/cancel a 'pending order' if the market did not reach the level of the price specified by the Customer.

### **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.

### **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. 'Stop orders' can be placed as close to the current market price as the Customer wishes; there is no restriction.

**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. 'Stop loss orders' can be placed as close to the current market price as the Customer wishes; there is no restriction.

**\*Market Order (Applicable for 'Stop Orders' and 'Stop Loss Orders'):** 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. Once the 'market order' is triggered it shall be subject to the conditions described in the 'Good till Day' and 'Good till Cancel' sections.

**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 up until when the order may remain 'live' and pending execution; if the order is not triggered during this timeframe it shall be deleted from the system.

**Good till Day ('GTD'):** this is an execution setting that applies to 'pending orders' traded through the platform. It refers to the 5 second period commencing from the time the order is triggered. During these 5 seconds the order is pending execution according to its type as described above.

**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. 'Limit orders' can be placed as close to the current market price as the Customer wishes; there is no restriction.

**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 'take profit order'. If the 'take profit order' is not triggered it shall remain in the system until a later date. 'Take profit orders' can be placed as close to the current market price as the Customer wishes; there is no restriction.

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

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

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

## 8. Specific Client Instructions

Where the client gives specific instruction as to the execution of an Order the Company shall execute the Order in accordance with that specific instruction according to Article 27(1) of MiFID II.

When the Company executes an order following specific instructions from the client, it should be treated as having satisfied its best execution obligations only in respect of the part or aspect of the order to which the client instructions relate. The fact that the client has given specific instructions which cover one part or aspect of the order should not be treated as releasing the Company from its best execution obligations in respect of any other parts or aspects of the client order that are not covered by such instructions.

The Company will not induce a client to instruct it to execute an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction to the client.

## 9. Reception and Transmission of Orders

Subject to any specific instructions from the client (as per paragraph 6), the Company will transmit an order it receives from the client to an associated entity, such as a third-party broker, for execution. In doing so, the Company shall act in the client's best interests and will comply with section 3 above.

The Company will review periodically its choice of third-party brokers to ensure that the third-party broker has execution arrangements and execution policy that enable the Company to comply with all its best execution requirements. A complete list of third-party brokers can be provided to the client, upon request.

The obligation to provide best execution applies to all types of financial instruments captured under MiFID II and is not based on whether or not the instrument is listed in the European Economic Area. To this end, the Company will require from third-party brokers to demonstrate that they are providing with best execution on a consistent basis in line with the Policy.

## 10. Client Order Handling

All client orders will be executed promptly and accurately recorded and allocated. The Company will inform retail clients about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

Where comparable orders are received, they will be processed sequentially, unless a specific client seeks to be treated otherwise. The Company will disclose any inducements and fees related to the use of execution venues to clients.

## 11. Order Aggregation

To carry out a client order in aggregation with either another client order, the Company will ensure the following requirements are met:

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

Where the Company aggregates an order with one or more other client orders and the aggregated order is partially executed, it shall allocate the related trades in accordance with its order allocation policy.

## 12. Monitor and Review

The Company will monitor on a regular basis and the effectiveness of this Policy and the execution quality of the procedures explained in this Policy, making any changes where appropriate.

The Company will also be able to demonstrate to clients, at their request, that we have executed their orders in accordance with this Policy.

In addition, the Company will review this Policy at least once a year and will notify its clients of any material changes (including changes to the selected Execution Venues and third-party brokers). Upon



request, the Company will demonstrate to its clients that it has executed their orders in accordance with its Order Execution Policy.

Pursuant to MIFID II, since the transactions are executed outside of the trading venue (i.e. OTC), the Company will monitor and check the fairness of the price by collecting market data used in the estimation of the price of such products, and in cases that is possible, compare with comparable or similar products. The determination of the relevancy of any similar products or markets will be solely at the Company's discretion, when assessing and monitoring the fairness of price and may choose different markets for different products or circumstances.

## 13. Client Consent

When establishing a business relation with the Client, the Company is required to obtain the Client's prior consent to this Policy. The Company is also required to obtain the Client's prior express consent before it transmits its order for execution outside a regulated market or an MTF (Multilateral Trading Facility).

The client shall be deemed to have provided such consent to the Order Execution Policy, as in force from time to time, by signing the Agreement or by effecting a transaction following the receipt of the notice of any amendment of the Order Execution Policy.

## 14. Publication obligation

The Company will summarize and make public on annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where they execute orders in the preceding year and information on the quantity of execution obtained. The publication must be in line with the provisions of the Delegated Regulation (EU) 2017/576 and includes among others:

- a) Information on the class of financial instrument;
- b) Venue name and identifier; and
- c) Volume of client orders executed on that execution venue expressed as a percentage of total executed volume.

## 15. Request to demonstrate best execution

Upon reasonable request from a client, and provided that the order was subject to the requirements of this Policy, the Company will demonstrate to the client that it has been executed its order in accordance with this Policy.

In the absence of evidence, the records of the Company will constitute conclusive evidence to the actions taken by the Company to obtain best execution on behalf of its clients. The Company keeps records in relation to the best execution requirements, including records of its trading activities and versions of this Policy, for a period of five years in accordance with MiFID II.

## **16. Additional Information regarding this Policy**

When a retail client requests additional information about this Policy and the request is reasonable and proportionate, the Company will proceed on such request, especially where such information is requested to enable the client to make a properly informed decision about whether to utilise (or continue utilising) the services of the Company.

## **17. Notification for changes in the Policy**

The Company will notify its clients of any amendments of this Policy. A change is considered as material when its disclosure/publication is necessary to enable the client to make a properly informed decision about whether to continue utilising the services to the Company.

Specifically, the Company will consider the materiality of any amendment it makes to the relative importance of the execution factors or the execution venues that it places significant reliance in meeting the comprehensive best execution requirement.