Instinet
A Nomura Company

Order Execution Policy

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1. INTRODUCTION

1.1. Purpose

This Order Execution Policy ("**Policy**"), sets out information and the approach to providing best execution, as required by rules that are applicable to Instinet Europe Limited ("IEL"). For the purposes of the Policy, **Instinet**" or the "**Firm**" means IEL.

Best execution is the requirement to take all sufficient steps, when executing orders, to obtain the 'best possible result' for clients, after taking into account the execution factors (see **Section 4 Execution Factors)** which include, the price, cost, speed, likelihood of execution and settlement, size, nature or/any other consideration that is relevant for the execution of a client order or any scenario where a client places legitimate reliance on IEL to protect their interests.

IEL does not owe clients any fiduciary responsibilities as a result of the matters set out in this Policy.

1.2. Accessibility and Consent

This Policy is available on the Instinet website[1] and distributed as part of the client on-boarding process. All clients are deemed to have consented to this Policy upon placing their first order with Instinet. Should IEL's execution arrangements result in a 'material change' which affects the relative importance given to each execution factor, then updates to this Policy will be made available on the Instinet website, or clients will be notified by email or similar means.

This Policy is subject to periodic review and will be updated on Instinet's website www.instinet.com/legalregulatory from time-to-time.

2. SCOPE

2.1. Client Orders

IEL operates as an agency broker, performing investment services related to the execution of orders on behalf of clients. IEL does not deal on its own account and does not operate a Systematic Internaliser ('SI').

IEL's clients have been classified by IEL as either **Professional Clients** or **Eligible Counterparties** (the latter of which IEL does not normally owe a duty of best execution)[2]. This Policy does not apply to transactions which are only booked to IEL, but where the client facing activities (such as agreeing the terms of the transaction) are carried out exclusively by employees of an affiliate or branch established outside the United Kingdom.

2.2. Classes of Financial Instruments

IEL executes orders primarily in the following classes of financial instruments as defined under MiFID II:

[1] https://www.instinet.com/legal-regulatory
[2] IEL does not execute orders for Retail Clients.

- Equities – Shares, Depository Receipts
- Exchange traded products (including Exchange traded funds, Exchange traded notes and Exchange traded commodities)
- Derivatives – Warrants, Certificate Derivatives and Futures admitted to trading on a trading venue.

Subject to its regulatory permissions, IEL will execute orders in other classes of financial instruments when required, in order to fulfil client orders.

2.3. Specific Instructions

All orders submitted to IEL must contain at least a symbol identifier, a quantity of shares (or notional value), and a side (e.g. buy or sell). Clients may provide specific instructions depending on the order type (see section 3 below). IEL does not ordinarily aggregate orders from more than one client unless it has received express consent by its clients to do so.

Where a client provides specific instructions in relation to one or more execution factors or a particular execution aspect (such as the execution venue, price, time or strategy), IEL will be deemed to have taken all sufficient steps when executing the order in accordance with those instructions, and will have no further best execution obligations to the extent that it has followed a specific instruction. In respect of those aspects of the order not covered by a specific instruction, IEL will apply this Policy accordingly.

Where a client provides specific instructions in relation to one or more execution factors or a particular execution aspect, this may prevent IEL from taking some or all of the steps in this Policy that are designed to obtain the best possible result for the execution of client orders in respect of the elements covered by those instructions.

2.4. Market Conditions

Where IEL receives a client order that it estimates is potentially unsuitable in light of prevailing market conditions, as well as taking into account the characteristics of the order, efforts will be made to contact the client and identify alternative execution options; otherwise IEL reserves the right not to execute the order, or to adjust the instructions or parameters of the order, to comply with market integrity obligations and/or its duties under this Policy.

'Stop order' instructions if accepted will be on a best-efforts basis only.

2.5. Matters Outside IEL's Control

In some cases, whether as result of a system failure, disrupted markets or otherwise, it may be necessary to execute client orders in a different manner to that documented in this Policy. In such circumstances IEL will seek to achieve the best possible result available to clients under the prevailing circumstances and in accordance with this Policy. In such circumstances IEL will notify clients whose orders may be affected.

3. ORDER TYPES

IEL accepts different order types based on the mechanism used by clients to send orders. The method of sending orders determines the extent of any discretion that IEL is able to apply and when best execution is owed.

3.1. DEA Orders

Direct Electronic Access ('DEA') orders (including Direct Market Access ("DMA") and Sponsored Access ("SA")) are deemed to constitute a complete specific instruction and therefore IEL does not owe any best execution duties in relation to such orders.

3.2. Algorithmic Orders

Clients may directly access Instinet's suite of algorithmic trading products ('algorithms'). These are divided into three types:

1) **Smart Order Router ("SOR"):** clients sending orders via Instinet's SOR must specify either a limit or a market price together with certain other parameters. Any parameters not fully specified by the client will be at Instinet's discretion, and subject to best execution obligations.

2) **Conditional orders ("COM"):** clients sending Indications of Interest ("IOI"s) or Request For Quotes ("RFQ"s) via COM must specify a strategy together with certain other parameters. If an execution opportunity is found, the COM may request the client to follow up with a firm order. IOIs and RFQs are not strictly subject to best execution obligations unless backed by a firm order; however, IEL will take sufficient steps to act in a client's best interest when managing IOIs or RFQs. Any firm orders sent may be subject to best execution obligations depending on the nature of the instructions sent.

3) **Execution Experts® ("Experts") orders:** clients sending orders via Instinet's Experts algorithms may select from a range of strategies to address different trading objectives, each with multiple parameters and customisation options. Experts strategies fall into three broad categories:

    i. benchmark strategies: orders with explicit benchmarks, such as VWAP or Target Close;

    ii. participation strategies: orders targeting a percentage of market volume; and,

iii. liquidity-driven strategies: orders designed to maximise liquidity.

Algorithms may divide client 'parent' orders into multiple 'child' orders. IEL may owe a duty of best execution to clients in relation to both parent and child orders depending on the algorithm and parameters chosen.

3.3. Worked Orders

Best execution may be owed in respect of worked orders that are sent to IEL's coverage team with whom specific instructions and trading strategies can be arranged. IEL's coverage team will generally take into account the characteristics of the order to determine the relevant execution factors. IEL's coverage team will execute client orders using their discretion, unless discretion has not been permitted by the client. IEL shall take all sufficient steps to execute the order and may use Instinet's SOR, Experts algorithms, affiliate or third-party brokers, or DEA routes. This may include executing client orders outside of a public trading venue where clients have given IEL express consent to do so.

4. EXECUTION FACTORS

In situations where clients provide no specific execution instructions IEL will generally give priority to the following execution factors: Price, Size, and Speed of execution. The remaining execution factors (cost, likelihood of execution and other factors relevant to the efficient execution of an order) are generally given equal ranking.

In determining the relative importance given to each execution factor, IEL will generally take into account the following characteristics of an order where a duty of best execution is owed;

- the regulatory client classification;
- the characteristics of the order;
- the characteristics of the financial instrument; and
- the characteristics of the execution venue(s).

4.1. Expert Algorithm Execution Factors

Instinet's Experts algorithms use a multi-phase approach when submitting orders to execution venues and brokers after taking into account a range of execution factors. The main execution factors, include, but are not limited to:

- **Immediate price** – comparison of the price at which trades are executed with the consolidated best bid/offer or with recent prices across eligible venues at the time;
- **Market impact** – the effect of executions on a venue upon subsequent market prices, measured over seconds and/or minutes, relative to the average or typical move;
- **Timing and speed of execution** – a measurement of time that elapses between the algorithm making the trading decision and the venue's response, measured in milliseconds, microseconds, and nanoseconds where necessary;
- **Likelihood of execution** – an evaluation of achieved versus possible fill rates, using different measurement techniques depending on the phase;
- **Cost** – the trading fees for a venue including settlement.

4.2. SOR Orders

Clients choosing to submit orders to Instinet's SOR are able to select a range of SOR strategies and customisation options. If no strategy is selected then a default strategy applies to the order.

Instinet's SOR uses a multi-phase approach to access liquidity depending on the marketability of the order, client preferences and the characteristics of the execution venue depending on the algorithm and parameters selected by the client. For marketable orders the sequence of phases is as follows:

Mid phase: the SOR looks for mid-point liquidity by sequentially sending orders to various dark and alternative venues, using 'Immediate-or-Cancel' orders with mid-peg and a minimum fill size. Greater priority is given to price and speed.

- **All-or-None phase**[2]: the SOR assesses whether there are visible SI quotes or alternative venues available where it can complete the full size without affecting lit order books. Priority across the SI's is based on the same execution factors listed in section 4.1.

- **Spray phase:** the SOR assesses lit order books and takes liquidity from them as simultaneously as possible with 'Immediate-or-Cancel' orders. Greater priority is given to price and cost.

- **Post phase:** if a portion of an order remains unexecuted due to a limit price, or the SOR receives a non-marketable order, it will post the remainder on one or more venues, depending on the strategy. Greater priority is given to likelihood of execution and cost.

The SOR may also perform the following actions:

- **Pullback:** if an order posted on one venue becomes marketable elsewhere, the SOR will pull back the appropriate quantity and follow the spray phase logic above.

- **Revisions:** if a non-marketable order is revised to become marketable, the SOR will follow all phases as above when managing the revision.

- **Auctions:** if an order is sent during an auction call phase of the security's primary market, the SOR will send the order to that venue. If the order is not fully executed due to a limit price, it will then follow the post phase logic above. If an order is posted on a venue other than the primary market and the primary market enters an auction call phase, the SOR will pull back the order from its resting venue and send the order to the primary market.

4.3. Conditional Orders

Clients accessing Instinet's COM are able to select a range of strategies, which may involve selecting specific execution venues, counterparties or dissemination options for the conditional message.

Depending on the strategy, multiple phases may be used involving the following actions:

- **IOIs/RFQs:** the COM sends conditional messages to one or more venues, using a staggered sequence where appropriate. If a potential match is found, the COM may request the client to follow up with a firm order, and may instruct that specific parameters are sent. Greater priority is given to immediate price and likelihood of execution.

It should be noted that visibility of IOIs and RFQs may vary depending on the execution venue or platform accessed by IEL. Subject to any specific client instructions, IEL may use its discretion to send messages to appropriate targets to determine the best possible result for a client.

[2] Instinet's SOR will execute the order on the BlockMatch trade venue on an All-or-None (100% minimum fill size) and a Most-or-None (25% minimum fill size) basis; the latter is used when interacting with other Instinet agency algo flow resting on BlockMatch.

4.4. Benchmark and Participation Strategies

Client orders sent to Instinet's Experts' benchmark and participation strategies may be sliced into smaller orders at the discretion of the algorithm. Analytics used may involve historical volume patterns as well as dynamic real-time market data. It should be noted that benchmark and participation strategies can also be set to employ an additional liquidity-seeking element if desired.

Depending on the strategy, multiple phases may be used involving the following actions:

- **Aggressive orders:** Experts may send marketable orders in order to achieve the strategy objectives.
- **Passive lit orders**: Experts may place resting orders on lit venues based on a real-time analytics model.
- **Opportunistic orders:** Experts may at times place resting orders on one or more alternative venues to improve benchmark tracking, participation target, or impact or performance.

For SOR selected strategies the relative priority is described above in section 4.2.

4.5. Liquidity-driven Strategies

Orders sent to Instinet's Experts' liquidity-driven algorithms such as Cobra or Nighthawk may access a wider range of venues than orders sent to benchmark-tracking algorithms. These algorithms do not follow set schedules but aim to maximise liquidity access within certain parameters; for example, by focusing on Dark and alternative execution venues, while reducing market impact and information leakage. These algorithms may determine the appropriate quantities to place on each execution venue at specific times and manage the visibility of those orders.

Instead of or in addition to the phases described above, liquidity-driven strategies may employ the following phases:

- **Sequential sweeps:** Experts send aggressive orders to dark or alternative venues with a minimum fill size and limit. Greater priority is given to market impact and likelihood of execution.
- **Resting orders**: Experts place passive orders on dark or alternative venues with a minimum fill size and limit. Those orders may interact either with firm orders or IOIs on those venues where applicable. Greater priority is given to market impact and likelihood of execution.
- **IOIs:** Experts send IOIs to conditional venues or the COM with a minimum fill size and a limit in a staggered sequence looking for block liquidity. Greater priority is given to immediate price and likelihood of execution.

For SOR selected strategies the relative priority is described above in section 4.2.

Access to execution venues is based on the following characteristics:

- Whether trading under the Reference Price Waiver ("RPW") is available;

- Whether the order is Large in Scale or greater; and
- Which style parameter has been chosen.

5. EXECUTION VENUES

5.1. Trading outside a Trading Venues

IEL may consider that the best possible result when executing a client order will be obtained by trading outside of a trading venue. IEL will not execute a client order outside a trading venue unless prior express consent has been granted by the client; such consent is usually obtained upon on-boarding. Where such consent is not given, IEL is obligated to take all sufficient steps to obtain the best possible result for the client subject to this constraint.

Giving prior consent does not preclude clients from requesting different execution arrangements at the time of placing an order or from revoking consent on a permanent basis by submitting a request to that effect.

5.2. Share Trading Obligation (STO)

IEL is not subject to the Share Trading Obligation ("STO") under MiFID II, which requires that shares admitted to trading on an EU regulated market are traded on a Regulated market, MTF, SI, or equivalent third-country trading venue.

5.3. Types of Execution Venues

Instinet's website contains the list of execution venues in which IEL places significant reliance upon in meeting its obligation to take all sufficient steps to obtain on a consistent basis the best possible result for the execution of client orders. Notwithstanding IEL's obligations outlined in section 5.1, IEL may send orders to one or more of the following execution venues:

- RMs;
- MTFs;
- SIs; and
- overseas trading venues and overseas SIs

The list of execution venues is subject to periodic updates on Instinet's website.

5.4. Execution via Affiliates

In certain markets where IEL does not have direct connectivity, IEL may send orders to an affiliate or to trading venues operated by an affiliate. In all cases IEL remains under an obligation to take all sufficient steps to obtain the best possible result for its clients and to act in accordance with this OEP.

5.5. Affiliates and Third-Party Brokers

IEL will use affiliate brokers wherever possible unless a client specifies otherwise. IEL uses third-party brokers, who are not an affiliate broker, typically when neither IEL or any affiliate broker has direct connectivity to or membership of a trading venue or to access alternative liquidity sources. IEL undertakes

regular assessments of all executing brokers as part of its Best Execution governance arrangements, as set out in section 7.

5.6. BlockMatch Target Profile

When accessing BlockMatch®, which is an MTF operated by IEL and regulated by the UK Financial Conduct Authority, clients may have additional liquidity options available if they are assigned to a Target Profile, as described in the BlockMatch rulebook[3]. IEL will use its best efforts to assign clients to an appropriate User Group unless instructed otherwise. Clients may opt out of assignment to a User Group. It should be noted that some clients may have separate business streams that would fall under different User Groups.

5.7. Over the counter transactions ("OTC")

IEL will conduct OTC transactions[4] where it has determined that it has a best execution obligation. IEL shall gather relevant market data in order to check whether the price is fair and consistent with this OEP.

6. VENUE ASSESSMENT

6.1. Venues Appendices

The full list of execution venues accessed by IEL is set out on Instinet's website www.instinet.com/legalregulatory.

As per section 4.2 above, it should be noted that different types of execution venues may be accessed during different phases of SOR routing or by different algo strategies.

6.2. Assessment Process

IEL uses a data-driven approach when assessing which execution venues should be included in each phase, and how they should be prioritised. Assessments take place regularly and include data such as:

- Anonymised data from orders and executions,
- A/B testing, comparing subsets of orders with different parameters,
- Public market data, which may be held in IEL's proprietary databases.

The specific metrics used may depend upon the type of venue and the principal execution factors for each phase (see section 4 above) and include but are not limited to:

- Total volumes,
- Average trade or quote sizes,
- Average fill rates,
- Prices compared to prevailing spreads,

[3] https://www.instinet.com/blockmatch

[4] A transaction is considered "OTC" when it is not conducted on a trading venue.

- Price movements at specific time intervals after executions,
- Typical round-trip latency from IEL's data centres

7. GOVERNANCE AND OVERSIGHT

7.1. Best Execution Assessment

IEL is required to review and monitor on an ongoing basis the appropriateness of its order execution arrangements as set out in this Policy. Should such review and monitoring identify a need to make changes to IEL's best execution arrangements including e.g. reassessment of algorithm behaviour or execution venue prioritisation, or should any internal or external event render such changes necessary, this Policy will be updated as required to accurately reflect those changes.

In the event a change is deemed 'material' by IEL, which could impact the parameters of best execution such as price, speed, cost, or the likelihood of execution, updates will be made available on the Instinet website, or clients will be notified by email or by similar means.

7.2. Supervision and Oversight

IEL has in place robust governance arrangements to ensure all sufficient steps are taken to obtain the best possible results for clients. These arrangements are overseen by the following internal bodies:

- **Best Execution Governance Committee** – A senior-level committee established to oversee compliance with this Policy and IEL best execution arrangements.
- **Best Execution Working Group** – A working group that oversees the operational aspects of IEL best execution arrangements.

7.3. Transaction Cost Analysis

IEL undertakes routine analysis to demonstrate that client orders have been executed in accordance with this Policy. At the request of clients, IEL can produce Transaction Cost Analysis (TCA) that details each execution for a requested period, including details of all execution venues used and industry-standard benchmarks. Clients with logins to Instinet's Insight TCA[5] can create these reports.

8. CONFLICTS OF INTEREST

8.1. Conflicts of Interest Policy

IEL is required to maintain effective arrangements to identify, monitor and manage any applicable Conflicts of Interest however they may arise within its business. Details of the Conflicts of Interest Management Policy can be found on the website[6].

[5] https://posttrade.instinet.com/
[6] https://www.instinet.com/legal-regulatory
[7] https://www.instinet.com/legal-regulatory

8.2. BlockMatch

IEL operates a UK regulated MTF, BlockMatch UK. BlockMatch UK offers access to UK and pan-European liquidity through distinct order books; the Reference Price System, Request for Quote System and a Negotiated Trade System which allows the submission of bilaterally negotiated transactions to be executed on BlockMatch UK.

IEL manages potential conflicts of interest between BlockMatch UK and IEL's brokerage business, BlockMatch in accordance with Conflicts of Interest Management Policy, a summary of which is made available on the Instinet website[7]. BlockMatch UK is subject to separate governance and supervision arrangements, and the trading venue is evaluated objectively alongside any other execution venues as part of the best execution and execution venue assessment process described in section 6 above.

9. FIDUCIARY RESPONSIBILITY

For the avoidance of doubt, IEL's commitment to provide clients with best execution does not mean that any further fiduciary responsibilities are owed over and above the specific regulatory obligations placed upon the Firm. Clients remain responsible for their own investment decisions and IEL will not be responsible for any trading losses suffered as a result of those client decisions.

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