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HF MARKETS (EUROPE) LTD

ORDER EXECUTION POLICY

Order Execution Policy

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1. Introduction

1.1. HF Markets (Europe) Ltd (hereinafter the "Company") which is a member of HF Markets Group, is incorporated under the laws of the Republic of Cyprus with Registration No. HE 277582 under the Department of Registrar of Companies and Official Receiver (www.mcit.gov.cy). The Company is authorised and regulated by the Cyprus Securities and Exchange Commission ("CySEC") to act as a Cypriot Investment Firm (License No. 183/12) and to provide the Services specified in the Account Opening Agreement found on the Company's website, and operates under the Law 144(1)/2007 as amended which provides for the provision of investment services, the exercise of investment advice, the operation of regulated markets and other related matters (the "Law") which has implemented the Markets in Financial Instruments Directive (EU Directive 2004/39/EC).

1.2. Under the provisions of the Law and the EU Directive 2004/39/EC, the Company is required to provide to its Clients and/or Prospective Clients with its Order Execution Policy (herein the "**Policy**"). The Company is required to provide to its Clients and/or Prospective Clients appropriate information on its order execution policy and set out how it will obtain the best possible results while executing orders on behalf of its Clients and ultimately assist the Clients and/or Prospective Clients to make properly informed investment decisions in 'good time' prior to the provision of any financial services to the Clients and/or Prospective Clients.

2. Scope and Services

2.1. The Policy applies to any Client of the Company who has concluded a distance contract with the Company and has been categorised by the Company as a Retail or Professional Client (more information on the Client Categorisation can be found in the Client Categorisation Policy of the Company accessible via the Company's website). Therefore, this Policy does not apply to any Client who has been categorised by the Company as an 'Eligible Counterparty'.

2.2. The Company acts as a as principal (counterparty) and acting as the main execution venue for the execution of the Client's Orders. This Policy applies when the Company provides the investment services of reception and transmission of orders in relation to one or more financial instruments and/or execution of orders on behalf of its Clients. The Financial Instruments provided by the Company are Contracts for Difference (CFDs) of an underlying asset and it is up to the Company's discretion to decide which types of CFDs to make available from time to time and to publish the prices at which these can be traded in line with the prices offered by its Price Providers. (More details on the Financial Instruments offered by the Company can be found on the Company's website under the section 'Products'.)

2.3. This Policy is applied by the Company in the following instances: (a) Upon the acceptance of an Order from the Client; where the Company shall execute the Client's Order on behalf of the Client taking into consideration the best execution factors as set out in Section 4of this Policy and (b) when the Client gives a specific instruction to the Company on an Order; where the Company shall execute the Order following the specific instruction given by the Client.

2.4. In the first instance, where the Company receives an Order from the Client and the Client has not given any specific instruction with respect to the execution of that Order, the Company will take every reasonable step to obtain the best possible result for the Client which include but is not limited to the Best Execution Factors and the Best Execution Criteria set out in Section 4 and 5 of the Policy, respectively. The Company, nevertheless does not guarantee that when executing a transaction, the Client's price will be more favourable than one which might be available elsewhere.

2.5. In the second instance, when the Client gives a specific instruction on an Order, the Company will execute the Order following that specific instruction. When the Company receives a specific instruction on an Order, it may be prevented from implementing the Policy to obtain the best possible result for the execution of that specific Order. Therefore, compliance with that specific instruction will be treated as satisfaction of the best execution obligation.

2.6. For the avoidance of doubt, an Order is an instruction to buy or sell any of the Financial Instruments offered by the Company, which is accepted by the Company for execution or onward transmission to a third party and which gives rise to contractual obligations for the Client.

3. Execution Venue

3.1. The Company will enter into all transactions with the Client as principal (counterparty) and act as the sole execution venue for all Client Orders. The Client is required to open and close a position of any particular Financial Instrument with the Company via its trading platform.

3.2. Where there is only one possible execution venue, best execution is achieved by execution on that venue. Best execution is a process, which considers various factors which are set out in Section 4 of the Policy, not an outcome. This means that, when the Company is executing an Order on behalf of a Client the Company must take all reasonable steps to obtain the best possible result for its Clients. However, the Company does not guarantee that the exact price requested will be obtained in all circumstances and, in any event, the factors may lead to a different result in a particular transaction.

3.3. The Company's operations times are: round – the – clock from 00.00.51 A.M. (GMT +2) Monday through 00.00.00 P.M. (GMT +2) Friday. Non-working periods: from 00.00.01 A.M. (GMT +2) Saturday through 00.00.51 P.M. (GMT +2) Monday. Any changes in the Company's operations times as well as holidays and trading times for specific Financial Instruments are shown on the Company's website.

3.4. The Client acknowledges and consents that the transactions entered in Financial Instruments with the Company are not undertaken on a recognized exchange or a multilateral trading facility (MTF), rather they are undertaken through the Company's Trading Platform (i.e. Over-The-Counter) and, accordingly, they may expose the Client to greater risks than regulated exchange transactions. The Client can only close an open position of any given Financial Instruments during the opening hours of the Company's Trading Platform.

4. Best Execution Factors

The Company shall take all reasonable steps to obtain the best possible result for its Clients taking into account the following factors when executing Clients' Orders against the Company's quoted prices:

4.1. Price:

a. **BID/ASK Spread:** For any given Financial Instrument the Company will quote two prices: the higher price (ASK) at which the Client can buy (go long) that Financial Instrument, and the lower price (BID) at which the Client can sell (go short) that Financial Instrument; collectively they are referred to as the Company's price. The difference between the lower and the higher price of a given Financial Instrument is the Spread. The initial price of each Financial Instrument is provided to the Company by its Price Providers, which are defined further below in the Policy. Each market price for any Financial Instrument is updated every time a new price for the relevant Financial Instrument is received from the Company's Price Providers.

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

c. **Company's price:** The Company generates its own tradable prices from information sourced through licensed Price Providers that provide liquidity to the global market. More information about the Price Providers can be given to the Clients upon their request. The main way in which the Company will ensure that the Client receives the best execution will be to ensure that the calculation of the bid / ask spread is made with reference to a range of the underlying Price Providers. The Company reviews regularly or at least once a year its independent price providers to ensure that correct and competitive pricing is offered.

d. The Company updates its prices as frequently as the limitations of technology and communications links allow. The Company will not quote any price outside Company's operations times (See section 6 below) or outside specific CFDs trading times as published on the Company's website, therefore no orders can be placed by the Client during that time.

4.2. Costs

For opening a position in some types of Financial Instruments the Client may be required to pay commission or financing fees, if applicable, the amount of which is disclosed in the Contracts Specifications on the Company's website.

a. **Mark-ups/Mark downs:** The Company may charge a mark-up or mark-down on the prices which the Company receives from its Price Providers (details of the Company's Price Providers are found in Section 0 of the Policy). Before applying any mark-ups or mark-downs, the Company shall assess several market competitors/participants and will adjust its mark-ups/mark-downs accordingly in order to maintain its competitive advantage. All mark-up/mark-down calculations are performed by the system of the Company's trading platform automatically. The Company shall define the mark-up/mark-down levels and the system of the trading platform applies the same of the quoted prices received by the Company's Price Providers.

b. **Commissions:** Commissions may be charged either in the form of a percentage of the overall value of the trade or as fixed amount.

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

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

4.3. Speed of Execution:

The Company places a significant importance on Client's Orders being transacted efficiently and strives to offer high speed of execution within the limitations of technology and communications links.

Considering that the Company generates its own tradable prices which are distributed via the Company's trading platform, the technology used by the client to communicate with the Company plays a crucial role. The use of wireless connection or dial-up connection or any other form of unstable connection at the Client's end, may result in poor or interrupted connectivity or lack of signal strength causing delays in the transmission of data between the Client and the Company when using the Company's Electronic Trading Platform. This delay may result in sending to the Company out of date "market orders" which might be declined by the Company.

4.4. Nature of Orders

The particular nature of an order can affect the execution of the Client's Order. The Client is given the option to place with the Company the following Orders for execution in the following ways:

a. The Client places a "**Market Order**" which is an order buy or sell at the price available at a given time. The order will usually be filled at the price the client sees on the Company's trading platform screen. Occasionally, if the market has moved while the Client is placing the Market Order, the Order might be executed at the first available price or it may not be executed at all. The Client may modify a Market Order so as to attach a "Stop Loss" and/or "Take Profit". "Stop Loss" is an order to limit Client's loss, whereas "Take Profit" is an order to limit Client's profit.

b. The Client places a "**Pending Order**"**,** which is an order to be executed at a later time at the price that the Client specifies. The Company will monitor the Pending Order and when the market price reaches the price specified by the Client, the Pending Order will automatically become a Market Order. The following types of Pending Orders are available: "Buy Limit", "Buy Stop", "Sell Limit" and "Sell Stop". The Client may attach to any pending order a "Stop Loss" and/or "Take Profit". The Client may modify an order before it is executed. The minimum level for placing "Stop Loss", "Take Profit", "Buy Limit", "Buy Stop", "Sell Limit" and "Sell Stop" orders is between 1 to 5 times the spread for a given Financial Instrument, in accordance with the Contracts Specifications available on the Company's website. The Client has no right to change or remove "Stop Loss", "Take Profit" and "Pending Orders" if the price has reached the level of the order execution.

4.5. Likelihood of Execution:

The levels of volatility in the market affect both price and volume. The Company strives to provide the best possible price to its Clients, and makes every effort and necessary arrangements to do so; however, it may be impossible to guarantee the execution of any or all of the pending orders at the declared price. Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop Orders on Financial Instruments offered by the Company are executed at the declared by the Client price on the first current price touch. But under certain market conditions it may be impossible to execute orders (Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop) on any Financial

Instrument at the declared price. In this case the Company has the right to execute the Client Order at the best available price given the market depth and volatility for the given security at that point in time. This may occur, for example, at the following cases:

- Trading Session start moments / opening gaps,
- During news times,
- During volatile markets where prices may move significantly up or down and away from declared price,
- Where there is rapid price movement, if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange, trading is suspended or restricted,
- If there is insufficient liquidity for the execution of the specific volume at the declared price.

4.6. Likelihood of settlement:

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

4.7. Size of Order:

a. All Client Orders are placed in lot sizes. The minimum available tradable size is 0.01 or as stated in the Contracts Specifications on the Company's website. A lot is a unit measuring the transaction amount and it is different for each type of Financial Instrument. Please refer to the Contacts Specifications in the Company's website for the value of each lot for a given Financial Instrument type. Although in some cases there is no maximum size of an order which the Client can place with the Company, the Company reserves the right to decline an order, in case the size of the order is large and cannot be filled.

b. The Company makes every effort to fill the Order of the Client irrespective of the volume. However, if this is achieved, it may be at the first available price, different from the Client declared price, as the market liquidity may allow at the time of execution (See section 4.5 for Likelihood of Execution).

4.8. Market Impact:

a. Some factors, such as unusual market conditions, may affect rapidly the price of the financial instruments offered by the Company. These factors may influence some of the factors listed above. The Company will take all reasonable steps to obtain the best possible result for its Clients.

b. The Company does not consider the above list of execution factors exhaustive and the order in which the above factors are presented shall not be considered as made based on the priority of each factor. It should be noted hereof that, the diverse market for different Financial Instruments and the types of Orders placed by the Clients might mean that different factors could be applicable in each case when the Company considers its execution strategy for the Order received. For example, at a time of severe market turbulence, and/or internal or external system failure, where instead the ability to execute orders on a timely basis will become the primary factor.

5. Best Execution Criteria

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

a. The characteristics of the Client including the categorization of the Client as Retail or Professional;

b. The characteristics of the Client’s Order;

c. The characteristics of financial instruments that are the subject of that Order;

d. The characteristics of the execution venues to which that order can be directed.

5.2. 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, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

6. Client Protection

6.1. In order to provide Clients with protection against the potential adverse consequences of certain events i.e. when the market is highly volatile the Company might take any or all of the following steps, including but not limited to:

- Restrict the opening of Orders;
- Decrease/Increase leverage;
- Widen/Narrow Spreads;
- Decrease/Increase Margin Requirements;
- Volume Restrictions.

6.2. The Company shall inform the Clients of the actions it is willing to take during major events which can cause the market to be highly volatile; the Company may do so via email to the Client's registered email address provided by the Client during the Account Opening procedure with the Company and/or through the Company's website under section 'My Announcements' in the Client's myHotForex area.

6.3. Under certain market conditions, i.e. during unexpected and unforeseeable events, the price of any Financial Instrument might be affected making it impossible for the Company to execute any type of Order at the declared price. In such circumstances, the ability to execute Orders on a timely basis will become the primary factor.

7. Client's Specific Instruction

7.1. Any specific instructions from a Client may prevent the Company from taking the steps that it has designed and implemented in this Policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions, as the Company will execute the Order in accordance with Client specific instructions. By executing a Client's Order based on the specific instructions provided by the Client, the Company shall satisfy its obligation to provide the Client with best execution.

8. Order execution risks

8.1. Clients should be aware of the risks associated with execution which include but are not limited to:

a. **Slippage:** refers to the difference between the expected price of an Order and the price at which the Order is actually executed. The Company takes reasonable steps so that the execution of the quoted prices will obtain the best possible result for its Clients at the time the quote is provided. Nevertheless, rapidly changing markets might result in the execution of an Order at a price which has ceased to be the best market price.

b. **Volatility:** During volatile markets an Order may be executed at a substantially different price from the quoted Bid or Ask price, or the last reported trade price at the time of the Order entry, or an Order maybe only partially executed or maybe executed in several shapes at different prices and opening prices may differ significantly from the previous day's close.

c. **Trading System or Internet Connectivity Execution Delays:** If the Client undertakes transactions on an electronic system, the Client will be exposed to risks associated with the system including the failure of hardware and software (Internet / Servers). The result of any system failure may result to Client order is either not executed according to Client instructions or it is not executed at all. The Company does not accept any liability in the case of such a failure.

d. **Cancellation of trades and/or Closure of positions:** The Company might cancel the trade Order in circumstances where due to lack of liquidity in or suspension of an asset or errors in feeds from Price Providers or quotes from Counterparties have proved to be faulty. The Company shall provide within a reasonable time a full explanation of the reason for the cancellation of a trade. The Company may delete any 'Pending Orders' which are older than 3 (three) months. The Company might close, revoke, correct and/or adjust any trades in circumstances where the Client is involved with arbitrage and/or prohibited trading techniques. The Company might close any trades which are deemed untrue or opened at a fictitious price not existing on the market at the time of opening i.e. trades opened at old prices. (More details on the circumstances when the Company might cancel any trades or close any positions can be found on the Company's Terms of Business document available via the Company's website under section 'Legal Documentation').

9. Review and Monitoring

9.1. The Company shall review annually the execution policy established, as well as any relevant order execution arrangements. Such a review shall also be carried out whenever a material change occurs that affects the ability of the Company to continue to obtain the best possible result for the execution of its Client orders on a consistent basis. In addition, the Company will monitor the effectiveness of the Policy and relevant order execution arrangements on an on-going basis in order to identify and implement any appropriate improvements. It shall be noted that the Company will not notify clients separately of changes made to this Policy, other than substantial material changes, and Clients should therefore refer from time to time to the website of the Company for the most up to date version of the Policy.

9.2. The Company sets out below a non-exhaustive list of what factors that constitute a Material Change:

- Change of Execution Venues;
- Any changes to the relative importance of execution criteria and relevant factors;
- Incorrect prices compared to the average market price;
- Significant increase in the daily number of Off quotes;
- Significant delay in the execution of orders.

10. Client Consent

10.1. This Policy forms part of the agreement between the Company and the Client. Therefore, by entering into an agreement with the Company, the Client also agrees to the terms of this Order Execution Policy, as presented in this document. Therefore, the Company considers that its Clients have given consent to this Policy as well as that they have given consent to the Company to receive and transmit an order for execution outside a regulated market or an MTF.

11. Definitions

Execution venue - means a regulated market, an MTF, a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

MiFID - means the Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments and any implementing directives and regulations.
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Multilateral trading facility (MTF) - means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments - in the system and in accordance with nondiscretionary rules - in a way that results in a contract in accordance with the provisions of Title II of MiFID.

Regulated market - means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its nondiscretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID.

Systematic internaliser - means an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF.

Pending Order - pending order is the client's commitment to the brokerage company to buy or sell a security at a pre-defined price in the future. This type of orders is used for opening of a trade position provided the future quotes reach the pre-defined level. There are four types of pending orders as shown below:

- **Buy Limit -** buy provided the future "ASK" price is equal to the pre-defined value. The current price level is higher than the value of the placed order. Orders of this type are usually placed in anticipation of that the security price, having fallen to a certain level, will increase;
- **Buy Stop -** buy provided the future "ASK" price is equal to the pre-defined value. The current price level is lower than the value of the placed order. Orders of this type are usually placed in anticipation of that the security price, having reached a certain level, will keep on increasing;
- **Sell Limit -** sell provided the future "BID" price is equal to the pre-defined value. The current price level is lower than the value of the placed order. Orders of this type are usually placed in anticipation of that the security price, having increased to a certain level, will fall;
- **Sell Stop -** sell provided the future "BID" price is equal to the pre-defined value. The current price level is higher than the value of the placed order. Orders of this type are usually placed in anticipation of that the security price, having reached a certain level, will keep on falling.

Stop Loss - Stop Loss this order is used for minimizing of losses if the security price has started to move in an unprofitable direction. If the security price reaches this level, the position will be closed automatically. Such orders are always connected to an open position or a pending order. The brokerage company can place them only together with a market or a pending order. Terminal checks long positions with BID price for meeting of this order provisions (the order is always set below the current BID price), and it does with ASK price for short positions (the order is always set above the current ASK price). To automate Stop Loss order following the price, one can use Trailing Stop.

Take Profit - Take Profit order is intended for gaining the profit when the security price has reached a certain level. Execution of this order results in closing of the position. It is always connected to an open position or a pending order. The order can be requested only together with a market or a pending order. Terminal checks long positions with BID price for meeting of this order provisions (the order is always set above the current BID price), and it does with ASK price for short positions (the order is always set below the current ASK price).

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