

## **Best Execution policy**

### **1. Introduction**

TRADERNET LTD (hereinafter referred to as the “Company”) is a Cyprus Investment Firm licensed and regulated by the Cyprus Securities and Exchange Commission (the “CySEC”), under license number 219/13. The Company is located at Vasileos Georgiou A, 35-35R Y&K PAPAS, Office 35E, Limassol, 4040, Cyprus.

“Client” is hereby understood: a person to whom TRADERNET LTD (hereinafter “the Company”) provides or intends to provide or has provided a service in the course of carrying investment or ancillary services. The orders placed by Clients are executed either OTC or at the relevant exchange.

The Company has adopted this Best Execution Policy (hereinafter referred to as the “Policy”) in order to ensure compliance with all the applicable requirements.

### **2. Legal and Regulatory Framework**

This Policy is issued pursuant to and in compliance with the requirements of:

- Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended from time to time (“MiFID II”);
- Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets and other related matters, as amended from time to time (the “Law”);
- Commission Delegated Regulation (EU) 2017/565, supplementing Directive 2014/65/EU of the European Parliament and of the Council regarding organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
- Commission Delegated Regulation (EU) 2017/576, supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution;
- Section 9 of the Questions and Answers of the European Securities and Markets Authority (“ESMA 35-43-349”) as amended from time to time, with respect to the provision of CFDs and other speculative products to retail investors;
- Section 1 of the Questions and Answers of the European Securities and Markets Authority (“ESMA 35-43-349”) as amended from time to time, on investor protection topics.
  
- Guidance or Circulars issued from time to time by the Cyprus Securities and Exchange Commission relevant to this policy

The above-mentioned legislation, regulations or guidelines are hereinafter referred to as “Legislation”.

### 3. Scope

In accordance with the Legislation, the Company is obliged to take all sufficient steps to obtain the best possible results for its clients, either when executing clients' orders or receiving and transmitting orders for execution. These Legislation also require the Company to establish a formal policy to allow it to obtain, for its client orders the best possible result for its clients.

This Policy sets out the execution procedures for the financial instruments offered by the Company, as set out below:

- Stocks
- Bonds
- ETFs
- ETDs

This Policy applies to dealings in financial instruments for both professional and retail clients (each as defined in the Law). Best execution is owed when we transmit clients' orders to other entities for execution. No best execution will be owed where a client has been categorised by us as eligible counterparty.

### 4. Client Consent

Appropriate information about this Policy should be provided to clients in the form of attachments to agreements signed between clients and the Company. Clients are requested to sign their consent with the present policy prior to opening the account. The Company also requires the client's express prior consent in the event that clients' orders will be executed or transmitted for execution outside of a regulated market or multilateral trading facility ("MTF"). In case of clients who have entered into the agreement with the Company before the adoption by the latter of this Policy, the Policy shall be distributed to the clients by means of electronic documentation and the client will be requested to sign their consent with the Policy.

Clients must therefore ensure that they have read, understood and consent to the contents of this Policy before trading with the Company.

### 5. Execution Criteria and Execution Factors

While transmitting trades the Company shall undertake all sufficient steps to obtain the best possible result for a client. Therefore, the employees of the company shall make sure that the execution method chosen for every trade is the most favorable to the client.

The best possible result is determined with regard to the following **execution factors** explained hereby (listed by importance, starting from the most important):

#### a. Price- Highest Importance

We give strong emphasis on the quality and level of the price data that we receive from external sources (i.e. our execution venues) to provide our clients with competitive price quotes.

Price is always likely to be relevant, however the best price in a given market at a given moment may not represent the best possible result for many reasons.

Price is particularly important for retail clients. In the context of selecting execution venues for an execution policy, price refers to whether an execution venue generally offers prices that are as good as, or better than, its competitors. Price is also a relevant factor in selecting intermediaries to execute client orders.

The prices that the Company quotes will be influenced by, amongst other things, changing supply and demand relationships, governmental, agricultural, and commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the relevant market place.

**b. Costs and Charges – Highest Importance**

It is understood that the best price may not offer the best result for a client if it comes with high costs.

We consider the overall cost of executing a client order to provide the most effective and efficient order execution that benefits both the client and the Company. In the context of selecting execution venues for an execution policy, costs refer to whether an execution venue imposes, or its use results in, charges that are higher or lower than its competitors’.

An indicative table with current costs and prices is listed below:

<b>Smart</b>	<b>Fix</b>	<b>Super</b>
€0 per month Stocks and ETFs	€10 per month Lower than other brokers Stocks and ETFs	€200 per month Stocks and ETFs
<i>USA / Europe:</i> \$0.02/€0.02 per share \$2 / €2 minimum per order	<i>USA / Europe:</i> \$0.012 / €0.012 per share \$ 1.2 / € 1.2 minimum per order	<i>USA / Europe:</i> \$0.004 / €0.004 per share \$ 1.2 / € 1.2 minimum per order
<i>Russia Ukraine:</i> 0,08% of trade value €0.2 minimum per trade	<i>Russia Ukraine:</i> 0.04% of trade value €0.2 minimum per trade	<i>Russia Ukraine:</i> 0.03% of trade value €0.2 minimum per trade
<i>FORTS:</i> €20 + 5 RUR activation per contract Margin interest rate 12% per year	<i>FORTS:</i> €20 + 5 RUR activation per contract Margin interest rate 12% per year	<i>FORTS:</i> €20 + 5 RUR activation per contract Margin interest rate 12% per year
SMS Delivery €0.05 / SMS		SMS Delivery €0 / SMS

Access to Tradernet trading system	SMS Delivery €0.03 / SMS Access to Tradernet trading system	Access to Tradernet trading system The trading system DAS Trader is free of charge
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*c. Speed of Execution- High Importance*

Due to the nature of the securities market prices change over time. If the cost of an adverse market movement is likely to be great, speed of execution may be very important. For large orders and orders for less liquid instruments, under certain market conditions other considerations may outweigh speed. In the context of selecting execution venues in an execution policy, speed can refer to how quickly an execution venue tends to complete an order. When choosing another intermediary we need to consider whether that intermediary can achieve speedy execution when required.

*d. Likelihood of execution and Settlement- High Importance*

The best price may be illusory if the execution venue in question is unlikely to complete the order. In the context of selecting execution venues, the depth of trading opportunities at an execution venue - and thus, the likelihood that the execution venue will be able to complete the client order - may be relevant. Best price can also be illusory if the execution venue offering that price cannot settle in accordance with the customer’s instructions.

We expect transactions that we transmit for execution to be settled in a timely fashion. If we become aware that a particular execution strategy may compromise the likelihood of settlement, we may not pursue that strategy even if it would result in a better price.

*e. Size of order – Medium Importance*

The best price in a market usually represents an opportunity to trade in a particular size (that is, number of relevant securities, contracts, units or the like), which may not match the size that the client wishes to trade. Where the client wishes to execute a larger size, if part of the order is executed at the indicated size, the price for subsequent executions may become less favorable. On the other hand, if the client wishes to execute a smaller size, the same price may not be available. In the context of selecting execution venues, size can refer to the order sizes that an execution venue typically accepts.

*f. Nature of the order – Medium Importance*

The particular characteristics of an order, such as buy, sell, limit order, are always relevant to how it is executed. So any order constraint may be an important aspect of arrangements to obtain the best possible result. In the context of selecting execution venues for an execution policy, we need to consider whether and how well an execution venue performs.

The above execution factors are applicable when there are no specific instructions from the client regarding the execution of the order, and when the Company has the ability (choice) to divert the order to more than one execution venue(s). Any specific instructions from a client may prevent the firm from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

If the company uses only one execution venue, the dealing department should be able to demonstrate, with supporting documents, why that venue was engaged.

*g. Market impact- Low Importance*

Market impact entails detecting threats to the orderly operation of financial markets, including to reliability and transparency of their price formation process and tackling any behaviour that may conclusively result in cascading market impact or large market impact in general. In forming execution strategy, we will always observe the standard of behaviour normally expected in the market to which you direct your order. In no case, we will take action, which may result in market distortion or give a misleading impression of trade volumes or value of any financial instrument.

When the Company transmits an order on behalf of a retail client for execution, 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. To summarize, when executing orders on behalf of retail clients, the dealing department is obligated to place the highest emphasis on the lowest (total) price from the client's perspective.

In all other cases, the dealing department is obligated to assess the situation accordingly and transmit the order for execution by placing the appropriate emphasis on the execution factors most relevant to the client. In assessing the situation, the dealing department is obligated to consider the following **execution criteria**:

- (1) the characteristics of the client including the categorization of the client as retail or professional;
- (2) the characteristics of the client order, including where the order involves a securities financing transaction (SFT);
- (3) the characteristics of financial instruments that are the subject of that order;
- (4) the characteristics of the execution venues to which that order can be directed

Execution costs suffered by clients constitute clients' assets, and, as such, the dealing department has a fiduciary responsibility to act towards the best possible outcome from the clients' perspective.

**Warnings to be considered by the clients**

- Where there is a specific instruction from the client, the Company shall execute the order following the specific instruction. When there is no specific client instruction regarding the execution method, the Company shall execute an order in accordance with this Policy.
- For all orders not placed by Retail Clients, Best Execution does not necessarily translate to lowest total consideration, but, rather, best possible outcome for the client.
- Clients should be aware that checks regarding the appropriateness or suitability (where applicable) of a specific investment product or service could result in delays in the execution of orders regarding financial instruments. The Company cannot be held liable for any such delays resulting from the duties stipulated and governed by these provisions, except in the case of fraud or gross negligence on the part of the Company.

**6. Refusal to execute orders**

The client understands that the Company reserves the right to refuse the provision of any investment and ancillary service, at any time, including but not limited to the execution of instructions for trading any type of financial instrument, without prior notice you. The circumstances under which we shall proceed to the above actions are the following:

- If the client has insufficient funds in its account;
- If the order affects the orderly function of the market;
- If the order aims at manipulating the market of the underlying financial instrument;
- If the order constitutes the exploitation of confidential information;
- If the order affects the orderly operation of the trading platform;
- If the order contributes to the legalization of proceeds from illegal actions (money laundering);
- If any suspicious order can be justified as abusive.

Any act of refusal for the transmission or execution of any order will not affect any obligation you have towards us based on the terms of our relationship and agreement.

**7. Execution Venues**

The Company uses the following execution venues to execute trades per instrument:

Instruments	Client Categorisation	Execution venues
Equity instruments and ETFs	Professional clients	<ul style="list-style-type: none"> <li>• INTERACTIVE BROKERS LLC, UK</li> <li>• IC Freedom Finance LLC, Russia</li> <li>• EXANTE LTD, Malta</li> </ul>
Equity instruments and ETFs	Retail clients	<ul style="list-style-type: none"> <li>• INTERACTIVE BROKERS LLC, UK</li> <li>• IC Freedom Finance LLC, Russia</li> </ul>

Non-equity instruments (bonds, ETDs)	Professional clients	<ul style="list-style-type: none"> <li>• INTERACTIVE BROKERS LLC, UK</li> <li>• IC Freedom Finance LLC, Russia</li> </ul>
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The Company may use other execution venues in case it becomes necessary due to one of the above mentioned best execution policy factors. The use of other execution venues will be reflected in the policy accordingly.

Some client orders may be executed outside regulated markets, i.e. OTC (with or without a broker) in case it is coherent with present best execution policy.

**8. Types of trading orders**

Given the risks that arise when trading in financial markets, you may wish to consider using different types of trading orders to limit such risk. Please, note that the descriptions below may apply to some and not all types of financial instruments:

- **Market order**

With a market order, you may instruct to execute a trade of a certain size as promptly as possible at the prevailing market price. Market orders are executed without regard to price changes. Therefore, if the market price moves significantly during the time it takes to fill your order, the order will most likely be executed at a price substantially different from the price when the order was entered. Certain exchanges do not support market orders. If you place a market order in these markets, we will automatically translate the order to an aggressive limit order within a certain percentage limit “in the money”. You have responsibility to check if the order is traded in the market after order entry. If you experience or suspect any errors with the order contact us immediately.

- **Limit order**

With a limit order, you set the maximum purchase price, or minimum sale price, at which the trade is to be executed. As a limit order may be entered away from the current market price, it may not be executed immediately. By placing a limit order you give up the certainty of immediate execution in exchange for the expectation of getting an improved price in the future. Limit orders may be routed to an exchange automatically. Where a limit order is placed in a share admitted to trading on a regulated market or traded on a trading venue, we shall not be obliged to publish that limit order if it cannot be immediately executed under prevailing market conditions.

- **Stop order**

A stop order is an order to buy or sell a financial instrument once the price of the instrument reaches a specified price, known as the stop price. When the stop price is reached, a stop order becomes a market order. A buy stop order is entered at a stop price above the current market price. A sell stop order is entered at a stop price below the current market price. A stop order is therefore a “sleeping” order until the stop price is reached or breached. Sell stop orders are generally used to limit a loss or to protect a profit on a financial instrument. In order to ensure stop orders are not

filled at unreliable prices during short periods with abnormally wide bid/ask spreads caused by, for instance, release of key economic figures we implement spread filters preventing order execution when spreads exceed certain levels.

- **Trailing stop order**

The trailing stop order is a stop order as described above but the trailing stop price moves according to parameters you set in the order. This way the trailing stop can be used to sell if the price drops more than a specified distance from the highest price traded or to buy if the price trades above a set level from the lowest traded price. We may allow you to further customise the manner in which your stop (or stop-limit orders) are triggered. You may change the trigger method to include or exclude certain trigger criteria based on your specific trading objectives.

- **Stop-limit order**

A stop limit order is a variation of a stop order with a lower (higher) limit price to suspend trading if the price falls (rises) too far before the order is filled restricting trading to a predefined price range. Once the stop price is reached a stop-limit order becomes a limit order that will be executed at a specified price (or better).

We may offer you several ways to submit stop and stop-limit orders. On most venues, we implement and manage stop (or stop-limit) orders in our systems, submitting market (or limit) orders to the venue when the trigger price specified by you has been reached and passed. On some venues, we may submit stop and/or stop-limit orders using the venue's native order type. For each venue on which you may trade we will specify to you whether stop and/or stop-limit orders are managed by us or submitted using the venue's native order type. For stop and stop-limit orders that we manage, unless you specify otherwise when submitting the order, the order will be triggered and a market (or limit) order will be submitted for execution when the venue on which the financial instrument is traded is open and has a valid bid/ask quote for the instrument and the last sale price for the instrument is at or above (for buy stop orders) or at or below (for sell stop orders) the trigger price specified by you.

- **ALGOBONDS algorithmic order**

Proprietary algorithm configured to deal with fixed income instruments. The principle of work - the search for the best quotes, taking into account not only the price parameters, but also the availability of the relevant volumes at a price within or close to a given price or yield range, as well as taking into account changes in market conditions and which is executed manually or semi-automatically. For execution, the required parameters of the order must contain quantity and the validity period of the order, and the indication of the price or yield range is not a mandatory parameter, but can be submitted together with the limit order.

## **9. Execution Venues and Best Execution**

For the purposes of delivering best execution where there is more than one competing venues to execute an order for a financial instrument, in order to assess and compare the results for the Client that would be achieved by executing the order on each of the execution venues listed in the Company's Order Execution

Policy that is capable of executing that order, the Company's own commissions and costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment.

The Company shall not structure or charge its commissions in such a way as to discriminate unfairly between execution venues. Where the Company applies different fees depending on the execution venue, the Company shall explain these differences in sufficient detail in order to allow the Client to understand the advantages and the disadvantages of the choice of a single execution venue.

Furthermore, the Company shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements under the Law.

The Company shall monitor the quality of execution received from its Liquidity Providers and shall regularly assess the market landscape to determine whether or not there are alternative venues that it could use in order to consistently get the best results for its clients.

#### **10. Data Publication**

The Company shall summarise and make public on an annual basis and before the 30th of April following the end of the period to which the report relates, for each class of financial instruments, the top five execution venues in terms of trading volumes where it executed client orders in the preceding year and information on the quality of execution obtained.

The publication shall include the following information:

- a) class of financial instruments;
- b) venue name and identifier;
- c) volume of client orders executed on that execution venue expressed as a percentage of total executed volume;
- d) number of client orders executed on that execution venue expressed as a percentage of total executed orders;
- e) percentage of the executed orders that were passive and aggressive orders;
- f) percentage of orders referred to in point (d) that were directed orders;
- g) confirmation of whether it has executed an average of less than one trade per business day in the previous year in that class of financial instruments.

The Company shall publish for each class of financial instruments, a summary of the analysis and conclusions it draws from its monitoring of the quality of execution obtained on the execution venues where it executed all client orders in the previous year. The information shall include:

- a) an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;
- b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;

- c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;
- d) an explanation of the factors that led to a change in the list of execution venues listed in the Company's execution policy, if such a change occurred;
- e) an explanation of how order execution differs according to client categorisation;
- f) an explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;
- g) an explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575;
- h) where applicable, an explanation of how the Company has used output of a consolidated tape provider established under Article 65 of MiFID II.

The above-mentioned information shall be published on the Company's website, in a machine-readable electronic format, available for downloading by the public.

## **11. Monitoring**

The Company shall monitor on a regular basis the effectiveness of the Order Execution Policy and in particular, the execution quality of the entities identified in Section "Execution Venues" of this Policy and, where appropriate, correct any deficiency. Such monitoring shall be conducted on an ex-ante and ex-post basis.

In particular, the Company shall assess, on a regular basis, whether the execution venues included in this Policy for order execution provide for the best possible result for the client, taking into consideration the information published in accordance with this Policy, or whether the Company needs to make changes to its execution arrangements. This shall involve a combination of front office and compliance monitoring.

The Company has procedures and processes in place to analyse the quality of execution, as well as to monitor best execution, by:

- a) reviewing system settings/ parameters;
- b) systematically comparing prices provided by its execution venues against external price sources or other venues to ensure that there are no significant or systematic deviations in the pricing provided to its clients;
- c) monitoring quality of execution by reviewing statistics related to frequency of rejections and re-quotes, as well as the symmetry of any observed slippages (positive vs negative);
- d) checking the speed of price updating;
- e) comparing the Company's average speed of execution with industry standards;
- f) monitoring any complaints related to the quality of execution in order to ensure that any deficiencies are improved.

In addition, the Company shall check on a regular basis whether the Company has correctly applied its Order Execution Policy and if client instructions and preferences are effectively passed along the entire execution chain.

The results of the ongoing execution monitoring shall be escalated to the Company's senior management, which shall decide on the necessary amendments/improvements in the Company's Order Execution Policy and execution arrangements.

Where the Client makes reasonable and proportionate requests for information about the Company's policies or arrangements and how these are reviewed by the Company, the Company shall provide clear answers within a reasonable time.

## **12. Review of the Policy**

This Policy shall be reviewed at least annually by the Company's Compliance Officer and be approved by the Company's Board of Directors. Such a review shall also be carried out whenever a material change (*i.e. a significant event that could impact parameters of best execution such as cost, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order*) occurs, that affects the ability of the Company to continue to obtain the best possible result when executing clients' orders.

The Compliance Officer of the Company shall perform regular monitoring of effectiveness of the Policy. The Company shall immediately correct deficiencies identified by monitoring, if any. In particular, the Company shall assess, on a regular basis, whether the execution venues included in this Policy for order execution provide for the best possible result for the client.

The Company shall ensure, at all times, that the design and review process of this Policy is appropriate and takes into account any new services or products offered by the Company.

The Company shall notify clients with whom it has an ongoing client relationship of any material changes to its order execution arrangements or of this Policy.

## **13. Record Keeping**

The Company will maintain records of all orders for a minimum period of five (5) years even after disengagement with the client, in accordance with the applicable law and where requested by the Cyprus Securities and Exchange Commission for a period of up to seven (7) years.

At the request of a client, the Company will provide a written explanation of how it has executed their orders in accordance with this Policy. We will take all appropriate measures in order to deal with such requests on a timely basis.

## **14. Questions**

For further enquiries regarding this Policy, kindly contact the Company via e-mail at [customers@tradernet.com.cy](mailto:customers@tradernet.com.cy)