

Haitong International (UK) Limited

Order Execution Policy

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1 Introduction

Haitong International (UK) Limited ('Haitong International') must take all sufficient steps to obtain the best possible results when executing client orders in financial instruments. Haitong International will take into account execution factors such as price, costs, speed, likelihood of execution and settlement, nature, size or any other consideration relevant to the execution of an order.

2 Scope

Haitong International shall be deemed to act on behalf of a client whenever it receives an order from a client for:

- a) transmission to other entities; or
- b) execution.

Haitong International will not be deemed to act on behalf of clients (and will therefore not be subject to the best execution obligation) when a transaction is carried out after Haitong International has informed the client, at its request or on a continuous basis, of a price for a particular financial instrument and the client has decided to trade the financial instrument on the basis of such price. In such a case, Haitong International will be acting for its own account where the terms of the transaction have been negotiated with the client.

For the purposes of this policy, 'client' means professional client. This policy does not apply to eligible counterparties or retail clients.

3 Obligation to execute on the most favourable terms for clients

Haitong International will ensure that it records the process whereby client orders are transmitted or executed and its selection of execution venues. Following the execution of a transaction on behalf of a client, Haitong International must inform the client about where the order was executed.

4 Reception, transmission and execution of orders

4.1 Reception and transmission of orders

Where appropriate, Haitong International will transmit client orders to another financial intermediary for execution. The decision to transmit the client order to such financial intermediary will be based on serving the client's best interests by executing orders on terms most favourable to the client. The financial intermediary will be selected as part of an assessment process in line with the nature of the financial instrument in question and the ability to obtain the best possible execution for the client as well the reputation and creditworthiness of the particular financial intermediary.

Haitong International will transmit the orders immediately, in keeping with the time of their receipt, unless the client indicates otherwise, thereby waiving its priority.

4.2 Execution by the Firm

Haitong International will directly execute the orders it receives from clients in the markets of which it is a member or in any execution venues that it can access directly.

The following types of execution venues are sources of liquidity:

- a) Regulated Markets;
- b) Multilateral Trading Facilities (“MTFs”);
- c) Organised Trading Facilities (“OTFs”);
- d) Systematic Internalisers;
- e) Market Makers;
- f) Other liquidity providers; and
- g) Entities outside the European Economic Area that perform a function similar to any of the above-mentioned entities.

Haitong International may execute orders on a trading venue other than a Regulated Market, MTF or OTF provided that is permitted to do so by the prevailing legislation and the client's prior express consent has been obtained. The client's consent may be given under a general agreement or in respect of a single transaction.

The obligation to obtain the best possible result applies to all financial instruments irrespective of being traded either on trading venues or over the counter (“OTC”). Accordingly, when executing orders or deciding to trade in OTC products, including bespoke products, Haitong International will assess the fairness of the price offered to the client by collecting market data used to estimate the price of the product in question and, wherever possible, by comparing the product with similar products.

Haitong International may also execute orders by matching client orders (matched principal basis or back-to-back trading). To this end, Haitong International has established rules on the aggregation of own account transactions with one or more client orders, as well on the aggregation of orders received from several clients. The purpose of these rules is to ensure that aggregation only takes place when it is either neutral or beneficial for clients. If an aggregated order is only partially executed, in most cases it will be allocated first to the client, in the event of aggregation with an own account transaction, or allocated pro rata to the several clients in other cases.

When executing client orders, Haitong International will:

- a) Ensure that orders executed on behalf of clients are expeditiously and accurately recorded and allocated;
- b) Execute comparable client orders sequentially and expeditiously unless the characteristics of the order or the prevailing market conditions make it impossible to do so or where safeguarding the client's interests requires an alternative method.

Haitong International will summarise and publish on an annual basis, for each type of financial instrument, the top five investment firms, in terms of trading volume, to which, in the preceding year, it has transmitted client orders. The summary will also include information about the quality of execution obtained.

Haitong International will only select execution venues and third party brokers that can satisfy the obligation of best execution.

Details of Haitong International's execution venues and third party brokers can be found in Annex 1.

4.3 General rules of conduct in the transmission and execution of orders

Haitong International will not structure its fees in such a way that leads to unjustified selection between trading venues. Haitong International will justify to its clients any difference in the fees that are charged for its services.

Haitong International must 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 interests or inducements.

5 Relevant factors in transmission and execution

5.1 Relevant factors

Haitong International takes into account a set of factors when it executes or transmits client orders including:

- a) Price;
- b) Costs of transaction;
- c) Speed of execution;
- d) Likelihood of execution
- e) Speed and likelihood of settlement;
- f) Size and time of the order;
- g) Nature of the order; and
- h) any other considerations deemed relevant for the execution of the order.

Generally, Haitong International will regard price as the most significant factor in the execution of a client's order. However, there may be circumstances where other Execution Factors should be prioritised over price.

5.2 Relative weight of each factor

The following matters will be taken into account in determining the relative weight of the aforementioned factors:

- a) Client's characteristics, including its regulatory categorisation;
- b) Characteristics of the client's order, including the size of the order and its nature;
- c) Characteristics of the financial instruments underlying the order; and
- d) Characteristics of the execution venues to which the order is transmitted for execution.

Haitong International takes into account the market knowledge and experience of its clients, their trading profile and the nature of the services required by

them, as well as the specific and generic instructions given to Haitong International which enable it to execute its client orders.

Eligible counterparties do not benefit from the obligation to execute on the most favourable terms to clients. However, provided Haitong International agrees, it may undertake this obligation contractually.

6 Specific client instructions

When a client gives specific instructions to Haitong International in respect of an order, including specifying its execution by a particular financial intermediary or on a particular trading venue, Haitong International will execute the order in accordance with the client's instructions and will satisfy its obligation to provide best execution in relation to that order or an aspect of the that order covered by the client's specific instruction.

This includes where a client routes an order to Haitong International electronically with specific execution parameters. The best execution obligation shall only apply to any aspects of that order which are outside those parameters.

7 Legitimate reliance

To determine whether a client is legitimately relying on Haitong International to meet the best execution requirements, consideration will be given to the following:

- a) Which party initiated the transaction. Where the client initiates the transaction, it is less likely that the client is placing legitimate reliance on Haitong International;
- b) Market practice and the existence of a convention for clients to shop around. Where the market practice for a particular asset class suggests that the client will have access to various participants who may provide quotes, it is less likely that the client will be placing legitimate reliance on Haitong International;
- c) The relative levels of transparency within a market. Where pricing information is transparent and it is reasonable to expect that clients would have access to that information, it is less likely that the client will be placing legitimate reliance on Haitong International;
- d) The information provided by the client and any agreement reached. Where any agreements or arrangements with the client suggest that an understanding has been reached regarding the client not placing legitimate reliance on Haitong International.

8 Monitoring and review

Haitong International will monitor compliance with this Policy, the execution provided by the financial intermediaries to which it transmits orders and the effectiveness of the execution venues on which its client orders are executed.