



**ORGANISED TRADING FACILITY
ORDER EXECUTION POLICY**

EFFECTIVE DATE: 3 JANUARY 2018

Head office : 130 Wood Street - London EC2V 6DL - United Kingdom

Louis Capital Markets UK LLP: Authorised and regulated in the United Kingdom by the FCA with Firm Reference Number 225544
Louis Capital Markets UK LLP - Paris branch: Authorised and regulated in France as a Succursale

Under the rules set down by the Financial Conduct Authority (“FCA”) Louis Capital Markets UK LLP (“LCM”, “We”, “US”, “Our”) is required to put in place an Order Execution Policy (“this Policy”) for the OTF we operate. The aim of this document is to set out in sufficient detail and in an easy to understand way how we will handle the execution of our clients’ orders when executing them on our OTF. This Policy should be considered alongside The Client Agreement with our OTF and our Terms and Conditions which are available on request.

I. Background

The content of this document, prepared in accordance with Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”), FCA Conduct of Business rules and FCA MAR 5A Organised trading facilities. This is a formalised statement of our approach to execution of client orders on our OTF and reflects our everyday practice when dealing with clients of the OTF.

FCA MAR 5A references directly various articles and subsections of MiFID II which for the purposes of this document LCM references directly.

II. Purpose

LCM will be operating an OTF to facilitate the trading of financial instruments that were previously traded over the counter OTC and which fall directly into scope of the OTF regime. The list of financial instruments LCM will trade on the OTF is set out below. This list may be added to and taken away from over time and we will do this in line with our obligations set down by the regulator.

III. Financial instruments traded on LCM OTF

Asset Classes	Sub asset classes
Interest rate derivatives	IR futures and FRA
	Fixed to Float 'single currency swaps'
	Float to Float 'single currency swaps'
	Fixed to Fixed 'single currency swaps'
	Overnight Index Swap (OIS) 'single currency swaps'
	Inflation 'single currency swaps'
Equity derivatives	Swaps
	Other equity derivatives (exotic option)

Asset Classes	Sub asset classes
Bonds	Sovereign bond
	Other Public Bond
	Convertible Bond
	Covered Bond
	Corporate Bond
	Other Bonds
Structured Finance Products	All

IV. Participants of the OTF

Retail Customers will not be entitled to trade on our OTF

LCM acknowledges and pays particular attention to Article 24 MIFID II. We further acknowledge Articles 23 (conflicts of interest) Articles 27&28 (Obligation to execute orders on terms most favourable to the client and order handling)

LCMs clients will **not** automatically be able to trade on our OTF. The OTF itself will on-board clients in a responsible way, we will categorise each client in respect of each financial instrument the client trades and in this process and we will assess, where we are required to, the suitability and appropriateness of the financial instruments they may trade on the OTF.

LCM may treat you in different client categories for different financial instruments. In these cases, it may make a difference to LCM's obligations with regards execution.

It is important that clients understand that they will be clients of the OTF not members of an exchange and it will be the operators of the OTF that will have discretion in execution of client's orders. The discretion of the OTF is set out at length later in this policy.

V. Rules of the OTF

The rules of the OTF are applicable and will be made available to each client of the OTF. LCM will not transact business with any client on the OTF without acceptance of the rule book and a client agreement in place. The rule book may be furnished on request.

VI. Market Making

LCM are precluded from executing client orders traded on the OTF against their own capital and consequently will not operate as a market maker. The OTF is not precluded from entering into Market Making agreements with other investment firms, that have no close links to LCM, and that may lead to market makers providing prices to the OTF. At present, we have no plans to enter into such agreements but we reserve the right to do so.

In some financial instruments the OTF will act as a matched principal. In line with Rule 302 of our OTF Methods of Execution - When an OTF Client submits an Order in relation to bonds, LCM shall execute any relevant trade on a matched principal basis and the OTF Client shall be deemed to have consented to such matched principal trading when submitting the relevant Order. We understand matched principal as: -

“a transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never itself exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than previously disclosed commission, fee or charge for the transaction”.

VII. Executing Orders

1. Best Execution

It is a fundamental principle of our business that we will take **all sufficient steps** to obtain, when executing orders on our OTF, the best possible result for our clients

It is our policy when executing orders through on our OTF to consider the following factors: -

1. Specific Instructions. We will follow all specific instructions as closely as is possible
2. The price and explicit costs of executing your order
3. The speed and likelihood of execution
4. The likelihood of settlement
5. The size of your order
6. Any other consideration that we consider relevant at the time

We will also consider when executing orders and when choosing whether to execute your order on our OTF, the explicit cost of a transaction measured against other venues which include;

1. Commissions passed on by intermediaries.
2. Fees.
3. Taxes.
4. Exchange fees.
5. Clearing and settlement cost.

When providing brokerage services to clients in relation to financial instruments we will take sufficient steps to achieve the best overall trading result. This means that we will aim to provide best execution subject to and considering the nature of your order, the prices available in the market, the nature of the market in question and a reasonable assessment of the sometimes overlapping and conflicting execution factors. This may conclude in some cases that price may be less important than size in illiquid situations. We will as a matter of course check and monitor the fairness of prices proposed as well as gather the market data used in the process of estimation of prices.

We reserve the right to use other execution venues where it is deemed appropriate to comply with the best execution requirements. Where we invite you to choose our OTF, the information given to you will be fair, clear, not misleading and sufficient for you to make an informed choice;

Where LCM treats you as an Eligible Counterparty ECP we will not owe you a duty of best execution but we undertake to treat you fairly and manage our Conflicts of Interest.

2. Order Routing, Third Party Payments

We will habitually route orders to different venues depending on where the best possible overall result for the client can be achieved. We understand that different venues have different pricing structures, which we will consider when executing orders on our OTF.

3. Conflicts of Interest and the OTF

MiFID II Article 16 (3) An investment firm shall maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest as defined in Article 23 from adversely affecting the interests of its clients.

We understand that Conflicts of Interest may arise in relation to orders executed on the OTF between the OTF (the firm) and our clients and between two separate clients. We will manage these Conflicts of Interest effectively as set out in the firms Conflicts of Interest Policy, and in a way, that is not unfairly prejudicial to clients of the OTF.

We will owe those clients who we categorise as Professional an obligation of Best Execution but those clients we categorise as Eligible counterparties will not be afforded the same protection and the Best Execution and order handling rules will not apply. We will require all Eligible counterparties to tell us that they wish to be treated as such. Eligible counterparties have the right to ask to be treated as Professional.

We will apply the same aggregation and allocation policy to clients trading through our OTF as if in the normal course of business transacted across other venues.

We further understand that additional Conflicts of Interest can arise when we execute orders through our OTF which could be;

1. We are the operator of the OTF and charge commission to clients who execute orders through it. We may be incentivised to use our OTF rather than another venue or favour one client over another because of a different commission structure with that client. We mitigate this by applying the same consideration factors to each client equally.
2. We will have discretion in executing orders through the OTF – the discretion we use can be a subjective judgement. We will always make these judgments with the client's best interests in mind and in a way and that will bring the best possible result.
3. All participants of our OTF will be clients (MAR 5A) and we will have the same or similar obligations to them as we have to you. Given that this may result in you not getting the result that is favourable we will use discretion to withdraw your orders from the OTF if we judge that it is in your best interest.
4. We will use our discretion as to what we think will achieve the best result although what may look like a good result at one time may not subsequently. We will therefore use our discretion as well as following our set criteria (below) for executing orders through the OTF. We will always have an overriding duty to act in your best interests.
5. Where conflicts arise and we use disclosure as a form of managing that conflict, we will only disclose as a matter of information and NOT because we rely on it as a last resort.
6. The cost and charges the OTF applies to clients are set out publicly. When executing orders on the OTF we will charge both parties to the transaction in line with the charges we display publicly

VIII. Monitoring and Information

We are required to;

“include in respect of each class of financial instruments, information on the different venues where the investment firm executes its client orders and the factors affecting the choice of execution venue. It shall at least include those venues that enable the investment firm to obtain on a consistent basis the best possible result for the execution of client orders” Article 27 (5).

We will summarize the analysis and conclusions taken from the monitoring of the quality of execution obtained on the OTF. This will include;

1. The relative importance we place on execution factors of price, cost, speed etc.
2. Explanation of how factors outside already stated considerations were instrumental in delivering Best Execution.
3. Explanation of how we use data collected from or monitoring processes.
4. Disclosure of close links, conflicts of interest.

5. Description of factors leading to the use of or the ceasing of using the OTF. We undertake to disclose any material change to the firm or execution factors or venues.
6. Where we use the output of a consolidated tape.

We further undertake to disclose any material change to the firm or execution factors. When fees applied by us differ from other venues, we will provide clients with information in an easy to understand way so you may understand the advantages and disadvantages of one venue over another. Where we invite you to choose or OTF, the information given to you will be fair, clear, not misleading and sufficient for you to make an informed choice.

IX. Voice Brokered

LCM will operate a voice brokered OTF. Clients will not be able to route orders directly to the OTF electronically. For the avoidance of doubt, there will be no occasion where we will offer direct electronic access DEA

1. The Discretion of the OTF

In line with MAR 5A.3 Specific requirements for OTFs, we will execute orders on a discretionary basis (MAR 5A.3.2R). We define the discretion we use as:

1. Whether to place or retract the order on the OTF;
2. Whether to match a specific client order with a corresponding order available on the OTF. If there is a specific instruction, our discretion will be limited to following that specific instruction. Any parameter outside a specific instruction, we will use our discretion
3. Whether, when, and how much of two or more orders we match.

The OTF is by definition multilateral but unlike an MTF we, as the operator, will have total discretion as to how, when and if to bring multiple third parties together.

2. Order Placing and Retraction Discretion

When placing and retracting orders, we will exercise our discretion by deciding whether some or all an order should be placed or retracted. We may not place all of an order on the OTF if we think that it will not obtain the most favourable result for the client. We may, at our own discretion, place some of it on one or more other execution venues. We will use our discretion in retracting orders if we believe that an order will be transacted on more favourable terms on another venue, or we may judge that placing the whole order will not bring about a favourable result. If we retract an order from the OTF and place it on another venue, the rules of the OTF will not apply.

If a client specifically instructs us to place all or part of an order through the OTF we will treat that as a specific instruction and do so. In the absence of a specific instruction, we will use our own discretion to execute it either fully or only partially through the OTF.

3. Discretion of Publication of orders

The OTF that we operate is voice brokered. Orders placed on the OTF will not be publicised to other clients of the OTF electronically or using a hybrid system.

LCM will use discretion when making public an order placed on the OTF. We will do this by determining which other clients of the OTF may be interested in a particular financial instrument or strategy – we will use our knowledge of clients of the OTF to determine this. It follows that we may not show a particular order to some clients of the OTF.

4. Execution Discretion

LCM will use discretion when matching client orders against corresponding orders on the OTF. We will do this by deciding how much of one order to match against another and on what terms those orders will be matched. In the absence of any specific instruction, we will revert to the factors listed above however we understand that although there may be matching interests, the expectations of the different client may differ and in these cases, we will use our discretion.

In using our discretion, we will in the first place revert to the factors listed above in determining that decision process but in general orders will be matched on a case by case basis. If we determine that an order should be executed on another trading venue, we will use our discretion to do so only if there is not a specific instruction that precludes this.

If we receive a specific instruction we will follow it but we will exercise our discretion within any of the parameters not specified.

Functioning of the OTF

LCM will do the following;

1. Ensure the OTF has at least 3 Participants
2. Communicate with the FCA any links with market makers or other MTF, OTF or systematic internalisers owned by the same firm
3. Provide the FCA a list of the OTF's participants
4. Make execution data available, without any charge, at least on an annual basis