



**XM**

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# **ORDER EXECUTION POLICY**

## 1. Introduction

Trading Point of Financial Instruments Ltd operating under the trading name XM.com is a Cypriot Investment Firm ("CIF") registered with the Registrar of Companies in Nicosia under number: HE 251334, and regulated by the Cyprus Securities & Exchange Commission ("CySEC") under license number 120/10 (hereinafter called the "Company", or "we", or "us", or "our", as appropriate).

## 2. Legal and regulatory requirements

**2.1. MiFID II:** The Company is operating under the provisions of the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, as the same may be in force from time to time and modified or amended from time to time (the "Markets in Financial Instruments Directive (2014/65/EU)" or "MiFID II"), which was transposed into Cypriot Law, the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017).

Under the above legislation and other supplementary regulations, the Company is required to take all sufficient steps to obtain the best possible result when executing your orders, taking into account a range of factors. This is referred to as providing you with "best execution".

**2.2. Order Execution Policy:** Following the implementation of the MiFID II and in accordance with the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017), the Company shall provide its clients and potential clients with a summary of its Order Execution Policy (hereinafter the "Policy"). This Policy sets out our approach for carrying out Orders from origination to execution, the venue we use and an explanation of how the different factors influence our execution approach, so that we can obtain the best possible result when executing your Orders.

## 3. Scope of application

**3.1. Policy:** The Policy forms part of the Client Agreement/Terms and Conditions of Business (hereinafter "Agreement"), and shall govern your relationship with the Company, including any orders you place with us in respect of the Financial Instruments (or simply "products") we offer. It is intended to be read alongside our Agreement and the other documents that form our Agreement. Therefore, by agreeing with the Client Agreement/Terms and Conditions of Business, which is a contractually binding agreement between you and the Company, you are also agreeing to the provisions of the Policy. If there is any inconsistency between this Policy and our Agreement, this Policy shall prevail. Unless separately defined in this document, words and expressions have the meanings given to them in our Agreement.

**3.2. Client Categorisation:** The Policy applies to "retail" and "professional" Clients only. Therefore, if the Company classifies you as an "eligible counterparty", this Policy does not apply to you.

## 4. Types of financial instruments

**4.1. Types of Financial Instruments:** This policy applies when executing orders on your behalf on Financial Instruments offered by the Company. It is up to the Company's discretion to decide which types of Financial Instruments to make available and to publish the prices at which these can be traded.

The products offered by the Company fall under the class of Financial Instruments of Over-the-Counter ("OTC") derivatives on an underlying financial instrument, and more specifically the offering of Contracts for Difference (CFDs) on:

- foreign currency pairs;

- single stocks;
- commodities;
- equity indices;
- precious metals;
- energies.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage.

[Click here](#) for the percentage (%) of retail investor accounts who lose money when trading CFDs with this provider.

You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing money.

## 5. Types of execution orders:

**5.1. Market Order versus Pending Order:** The Client is given the option to place with the Company the following types of executions orders:

- **Market Order:** The Client places a “*Market Order*” which is an order instantly executed against a price that the Company has provided. The client may attach to a Market Order a ‘*Stop Loss*’ and/or ‘*Take Profit*’. Stop Loss is an order to limit Client’s loss when the price moves against the client, whereas Take Profit is an order to take profit if and when the Client’s target profit is reached.
- **Pending Order:** The Client places a “Pending Order”, which is an order to be executed at a later time at the price specified by the Client. The Company’s trading facility monitors the pending order and when the price provided by the Company reaches the price specified by the Client, the order will be executed at that price. The following types of Pending Orders are available:
  - ‘**Buy Limit**’ which is the placing of an order to buy a Financial Instrument at or below a specified price;
  - ‘**Buy Stop**’ which is the placing of an order to buy a Financial Instrument at a price above the one currently provided, and it is triggered when the market price touches or goes through the buy stop price;
  - ‘**Sell Limit**’ which is the placing of an order to sell a Financial Instrument at a specified price or better; and
  - ‘**Sell Stop**’ which is the placing of an order to sell a Financial Instrument when it reaches a certain price.

The Client may attach to a Pending Order a ‘Stop Loss’ and/or a ‘Take Profit’. In case that the Client has no balance and no transactional activity (trading/withdrawals/deposits) in his trading account for thirty (30) consecutive calendar days, any Pending Orders may be deleted.

**5.2. Maximum number of open positions:** Any client may, concurrently, hold or place up to a **total of 200** orders, i.e. Market Orders and Pending Orders.

**5.3. Modification of an order:** The Client may modify an order *before* it is being executed. The Client **cannot** change or remove a ‘Stop Loss’, ‘Take Profit’ and ‘Pending Orders’ if the price has reached the level for order execution.

## 6. Execution venue

**6.1. Definition of Execution Venue:** Execution Venues are the entities with which the orders are placed for execution or to which the Company itself transmits orders for execution.

**6.2. Company as the Execution Venue:** For the purposes of Client orders in Financial Instruments provided by the Company (“*Supported Financial Instruments*”), the Company is always the counterparty (or ‘*principal*’) to all of your trades. Therefore, the Company is the **sole Execution Venue** for the execution of the Client’s orders. Should the Client decide to open a position in a Financial Instrument with the Company, then that open position may only be closed with the Company.

**6.3. Operating hours:** The Company’s operating hours are as follows:

- **Round - the - clock:** from Monday 00:00:01 A.M. Cyprus Time (GMT +2) through Friday 00:00:00 P.M. Cyprus Time (GMT +2).
- **Non-working hours:** from Saturday 00:00:01 A.M. Cyprus Time (GMT +2) through Sunday 00:00:00 P.M. Cyprus Time (GMT +2) and also on national bank holidays. Holidays are announced through the internal mail of the trading terminal supplied by the Company.

## 7. Execution of orders

**7.1. Execution of Orders:** We execute each order you place with us in Financial Instruments provided by us, by always being your counterparty; we act as a principal and not as an agent on your behalf. Please note that the Instruments we provide you are, unless otherwise agreed, cash settled rather than physically settled.

**7.2. Prices:** The prices on which you trade with us are the prices shown on our Electronic Trading Platforms.

**7.3. Execution of orders outside a Trading Venue:** The transactions entered in Financial Instruments with the Company are not executed on a Trading Venue (Regulated market, Multilateral Trading Facility and Organised Trading Facility), rather they are executed by the Company, through its Electronic Trading Platform, which is **NOT** a Trading Venue, and as such may expose the Client to greater risks than those of a Trading Venue. Therefore, the Company may not execute an order or may change the opening (closing) price of an order in case of a technical failure of the Trading Platform or of quote feeds. Please refer to our [Risk Disclosure for Financial Instruments](#) for more information.

Your agreement to this Policy shall constitute your **prior express consent** for us to execute your orders **outside a Trading Venue.**

**7.4. Rules and procedures:** The rules and procedures governing access and use of the Trading Platforms are established, maintained and may be amended solely by the Company. The Client is obliged to close an open position of any given Financial Instruments during the opening hours of the Company’s Trading Platform. The Client is also obliged to close any open position with the same counterparty with whom it was originally entered into, i.e. the Company. All relevant rules and procedures are described in the Agreement.

**7.5. Specific instructions:** If you provide us with specific instructions on how to execute your Orders, our resulting compliance with these instructions may prevent us from following the execution factors set out in Section 8 below. These factors are intended to provide you with the best possible result (or “*Best Execution*”). Notwithstanding, where there is a specific instruction from you to execute a particular Order, we shall execute the Order following such specific instruction. Accordingly, this Policy shall **not** apply.

## 8. Best execution

**8.1. Best execution factors:** It is our regulatory obligation to take all sufficient steps to obtain, when executing Orders, the best possible result for our Clients taking into account price, costs, speed, likelihood of execution, size, nature or any other consideration relevant to the execution of the Order.

The Company determines the relative importance of the above factors by using its commercial judgment and experience in the light of the information available on the market and taking into account the following criteria:

- the characteristics of the Client, including the categorisation of the client as retail or professional;
- the characteristics of the Client Order;

- the characteristics of Financial Instruments that are the subject of that Order; and
- the characteristics of the Execution Venues to which that order can be directed.

For retail clients, the best possible result (or “Best Execution”) shall be determined in terms of the total consideration, representing the price of the Financial Instrument and the costs related to execution.

In view of the above, for Orders that are not wholly covered by your specific instructions, we shall determine the best possible result when executing Client Orders against the Company’s quoted prices by taking into consideration the execution factors and their relevant importance in the order presented below:

## 1. Price – Highest Importance

The Company’s pricing structure is explained below:

- **Bid – Ask Spread:** For any given Financial Instrument the Company shall 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’.
- **Pending Orders:** Such orders as ‘Buy Limit’, ‘Buy Stop’ and ‘Stop Loss’/‘Take Profit’ for opened short positions are executed at the ASK price. Such orders as ‘Sell Limit’, ‘Sell Stop’ and ‘Stop Loss’/ ‘Take Profit’ for opened long positions are executed at the BID price.
- **Company’s price:** The Company’s price for a given Financial Instrument is calculated by reference to the price of the respective Financial Instrument which the Company obtains from its third-party liquidity providers. More specifically, prices from liquidity providers are quoted in real time for the Company to offer the best possible BID and ASK prices to Clients and the Company’s electronic pricing engine allows for price updates on every Financial Instrument multiple times per second, as long as the limitations of technology and communications links allow.

Each liquidity provider’s price feed is subject to numerous predetermined checks and verifications that occur close to real time, which are carried out by the Company at individual financial instrument level, before the price becomes available for the clients to trade. If the price is outside acceptable predetermined parameters when compared to the previous price received from the same provider, an alert is triggered for the ‘price gap’ to be investigated by the Company. Where such a gap is a result of, for example, market volatility, the price is deemed valid and becomes available for the clients to trade. However, If the gap is a result of, for example, technical issues by a certain liquidity provider, then the Company stops presenting to its clients prices from the said provider and switches to another liquidity provider until the issue is fixed. A similar alert is triggered and actions taken by the Company when a ‘price freeze’ occurs.

The Company obtains prices from numerous liquidity providers to avoid over-reliance on a single provider and to ensure protection against data redundancy. In addition, the said providers have been prioritized for each financial instrument according to analysis on past performance in terms of providing a consistent and reliable service (i.e. by taking into account factors such as frequency of updates and reliability). Further to the real-time monitoring mentioned above, the Company compares the pricing provided by its liquidity providers against external price sources or other venues, both in real time for actual prices and on a weekly basis for average prices, in order to ensure that there have been no significant deviations in the pricing quoted to its clients. Again, in cases where the price is outside acceptable predetermined parameters, an alert is triggered for the Company to further investigate and take immediate actions.

## 2. Cost – Highest Importance

1) **Spread** is the difference between the lower price (BID) and the higher price (ASK) of a given Financial Instrument’. The Company provides dynamic (floating) spreads, which means that spreads are constantly updated based, among others, on the liquidity and volatility conditions in the underlying markets.

The Company performs real-time monitoring of its spreads at individual financial instrument level. If the actual spread is outside acceptable predetermined parameters when compared to previous spreads received from the same liquidity provider, an alert is triggered for the ‘gap’ to be investigated by the Company. Where the

gap is a result of, for example, market volatility, no further actions are taken. If the gap is a result of a technical issue on the liquidity provider's part, then the Company further investigates and takes immediate corrective action.

**2) Swap or financing fee** is the charge that is applied to all positions that are left open overnight for the following trading day. It is credited to or withdrawn from trading accounts at 22:00 GMT+0 each day until the position is closed. Swap is charged every day, except for the weekends, when trading is not available. On Wednesday, the amount of Swap charged is tripled in order to compensate for the following weekend, during which swap is not charged. Swap is based on prevailing market interest rates, which may vary over time.

The financing fees are displayed on the Company's website under the section 'Spreads': <https://www.xm.com/spreads>.

The financing fees are **not** incorporated into the Company's quoted price and are instead deducted from the client's available balance.

**3) Commissions** are applicable to existing XM Zero Account holders only. The Company is charging the said Account holders a commission fee every time they are opening and closing a position. Commission fee is automatically calculated according to the volume traded.

The commission is **not** incorporated into the Company's quoted price and is instead deducted from the client's available balance.

### 3. Speed of Execution – High Importance

As it is explained in the Execution Venue section of this Policy, the Company acts as principal and not as agent on the Client's behalf and, therefore, the Company is the sole Execution Venue for the execution of the Client's orders for the Supported Financial Instruments. As the speed of execution falls under the sole responsibility of the Company, the Company places high importance when executing Client's orders and strives to offer the highest possible speed of execution for all its Orders within the limitations of technology and communications links.

The speed of execution is negatively affected by latency. Latency is the time needed for a client's request to receive a response from the Company's systems. The Company receives alerts whenever the latency of the price of an individual financial instrument is outside acceptable predefined parameters so that to be investigated by the Company.

As the Client places Orders through the Company's Electronic Trading Platforms, the Client is exposed to risks associated with that, including the failure of hardware and software (e.g., Internet connectivity issues, server downtimes, etc.). This may result that your Order is either not executed in accordance with your expectations or it is not executed at all. The Company does not accept any liability in the case of such a failure.

The use of a wireless 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 from your PC/device to the Company's Electronic Trading Platforms. This delay may result in transmitting outdated Orders to the Company, such as outdated "Market Orders". In such cases, the Company shall update the price and execute the said Order at the market price available.

The Client may request the Company to execute upon receipt instructions conveyed by telephone or any other written means of communication that each of the present and future account holders, attorneys and duly authorised representatives shall give individually to the Company, even if these instructions are not followed by a confirmation in writing. The Company, during the provision of reception and transmission and execution of Orders conveyed by telephone, shall communicate to its Clients what is considered to be the exact 'time of reception'. In particular, in accordance with the 'time of reception' of the Order, the Company confirms to the Client the reception and placement of the relevant Client's Order. Anything prior the confirmation of the Order with the Client is considered to be communication of the Client identity verification and confirmation of the Order details and not the 'time of reception' of the actual Order.

The Company does not accept any liability in case of miscommunication, error in the identification of the person giving the instructions or other errors on its part related to such means of communication and which may involve losses or other inconvenience to the Client. We are under no obligation to accept an Order from a Client through the above means of communication. However, we shall normally do so if you have sufficient funds in your Account with us, you are not otherwise in breach of the Agreement and it is possible to execute such Order. Factors such as the size of your Order and liquidity available in the Financial Instrument you wish to trade will impact whether and when it is possible to execute your Order.

#### **4. Likelihood of Execution – Medium Importance**

The Company strives to execute, in whole, all Orders placed by its Clients. However, it reserves the right to decline or partly fill in any Order or to execute the order at the first available market price without providing any justification to Client.

Slippage is the difference between the expected price of a trade, and the price at which the trade was actually executed at. Slippage may occur when the market suddenly moves in any direction and when the time taken for a client's order to be accepted at the price chosen, that price is no longer available and the client's trade is executed at the best price available at that time.

The above applies in the event of either favourable or unfavourable price movements. Specifically, if the execution price is better than the price requested by the client, this is referred to as 'positive slippage'. If the executed price is worse than the price requested by the client, this is referred to as 'negative slippage'. Please be advised that slippage is a normal element when trading in the Company's Financial Instruments.

Slippage more often occurs during periods of illiquidity or higher volatility (for example, due to news announcements, economic events, market openings, and other factors) making an order at a specific price impossible to execute.

Slippage may appear with all types of accounts we offer. It is noted that slippage may also occur during 'Stop Loss', 'Take Profit', and other types of similar orders. We cannot guarantee the execution of your Pending orders at the price specified. However, we assure you that your order will be executed at the next best available price from the price you have specified with your pending order.

The Company carries out certain quality checks using in-house tools to monitor slippage including, inter alia, the symmetry of slippage, the number of trades that have been subjected to slippage and comparison of the average speed of execution against market standards in order to ensure that the speed and likelihood of execution have remained within acceptable ranges.

#### **5. Likelihood of settlement – Low Importance**

The Company proceeds with the settlement of all Client Orders upon their successful execution.

#### **6. Size of order – Low Importance**

The minimum size of an Order is **0.01 lots**. 'Lot' is the set amount of a particular Financial Instrument based on which you buy or sell that Instrument. It is different for each type of Financial Instrument. The Company reserves the right to decline an Order as explained in the Client Agreement/Terms and Conditions.

The Company makes every effort to fill in the Order of the Client in full, irrespective of its size. However, this may be achieved at the best available price rather than at the Client's requested price due to market conditions (e.g. market liquidity) at the time of execution. (See: Likelihood of execution).

The value of each lot for each type of Financial Instrument are displayed on the Company's website under the section 'Spreads': <https://www.xm.com/spreads>.

#### **7. Rapid Market Impact – Low Importance**

Some market factors may affect rapidly the Company's quoted price of the Financial Instruments. These factors may, in turn, affect some of the other execution factors listed above. The Company takes all reasonable steps to obtain the best possible result for its Clients.

The Company does not consider the above list exhaustive and the order in which the above factors are presented shall not be taken as priority factor. Nevertheless, whenever there is a specific instruction from the client the Company shall make sure that the Client's order shall be executed following the specific instruction.

## **9. Publication on our website of information on execution venues and data quality of execution on transactions**

In accordance with the Commission Delegated Regulations (EU) 2017/575 and (EU) 2017/576, the Company shall publish, on its website, information on the identity of execution venues and on the quality of execution (on an annual basis) and data on the quality of execution of transactions (on a quarterly basis). You can find the relevant reports on the Company's website in the Legal Documents section: <https://www.xm.com/legal-documents> under the heading 'Execution Quality'.

## **10. Review, ongoing monitoring & record-keeping**

**10.1 Review of Policy:** The Company shall review this Policy on annual basis and whenever there is a material change<sup>i</sup>, as defined below, that could impact parameters of best execution. During the review of this Policy, we endeavour to ensure its effectiveness, to ensure that we continue to comply with our regulatory obligations and that intended best execution outcomes can be successfully achieved on an on-going basis. If at any time we identify any deficiencies, we shall take appropriate remedial action and, where necessary, we shall amend this Policy to give effect to the action we have carried out. Amendments to this Policy shall be effective immediately. You can always find the latest published version of this Policy on the Company's website under the Legal Documents section: <https://www.xm.com/legal-documents>

**10.2 Customer communications:** We shall notify you of any material changes to our Order Execution Arrangements or this Policy by means of electronic communication (e.g. e-mail, notification in your 'Members Area', etc).

We shall also provide you, within a reasonable time, should you request it, documented evidence which demonstrates clearly that we have executed your Orders in accordance with this Policy and information about our Order Execution Arrangements.

**10.3 Record Keeping:** For the purpose of this Policy, we shall maintain records of the prices for individual financial instruments shown on our Electronic Trading Platform, including details about costs, speed and likelihood of execution, for a minimum period of five (5) years. We shall also keep records which evidence our ongoing monitoring of best execution and which demonstrate our compliance with best execution obligations to any Competent Authority, as and when required, for a minimum period of two (2) years.

By trading with us, you shall be taken as having agreed to the contents of this Policy.

<sup>i</sup> **'Material Change':** A material change shall be a significant event that could impact parameters of best execution such as, *inter alia*, price, cost, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.