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1. Introduction

Trading Point of Financial Instruments UK Ltd is a company authorised and regulated by the Financial Conduct Authority ("FCA") under reference number 705428 (hereinafter called the “XM UK”). XM UK is operating in compliance with MiFID and the rules of the Financial Conduct Authority which is responsible for implementing MiFID in the UK (the “FCA Rules”) and regulating the activities of XM UK. XM UK is required to establish and implement an order execution policy and to provide clients with a copy of the execution arrangements that XM UK employs to comply with our duty to give our clients best execution.

In our dealings with you, we have a general duty to act honestly, fairly and professionally, taking into account your best interest. In relation to order execution, XM UK is required to take all reasonable steps to obtain the best possible result when executing client orders or transmitting orders to other entities to execute.

Potential Conflicts of Interest

A potential conflict of interest is that XM UK executes all of its clients’ orders with its sister company Trading Point of Financial Instruments Ltd (XM Cy) under a matched principal execution model. Under this execution model, there is a direct correlation between the profit/loss made by the client and profit/loss made by XM Cy. XM Cy runs a market making desk and it hedges its exposures on a net book basis.

In order to ensure that the above potential conflict of interest is not detrimental to the quality of execution offered by XM UK, XM UK has established procedures and controls in order to effectively monitor the quality of execution offered by XM Cy. Please refer to Section 12 of this Policy for the procedures established in this respect.

XM UK does not engage in any direct or indirect trading for its own account or for our own benefit and therefore our sole priority is the trading interest of our clients.

Execution Venue

XM UK’s single execution venue is provided by our sister company XM Cy. XM UK has ultimate responsibility to ensure it is able to obtain on a consistent basis the best possible result for the execution of its clients’ orders and to provide oversight over the activities undertaken by XM Cy on its behalf. XM Cy executes trades in accordance with XM UK’s Order Execution Policy.

XM Cy is authorised and regulated by the Cyprus Securities and Exchange Commission under the license number 120/10.

If you believe that your order has not been executed in line with this policy, then you should contact XM UK at the earliest opportunity at enquiries@xm.co.uk.

2. Scope and Services

The Policy applies to retail and professional clients. This Policy does not apply to eligible counterparties.
This Policy applies when executing transactions on clients’ behalf relating to the Financial Instruments provided by XM UK. The Financial Instruments provided by XM UK are derivatives of underlying financial instruments and include:

- Rolling Spot FX;
- CFD on Commodities; and
- CFD on Equity Indices.

3. Execution of Client Orders

XM UK offers execution only trading to its clients by acting as a matched principal broker and our sister company XM Cy executes all XM UK client orders on our behalf. XM UK does not execute client orders through any other execution venue or counterparty.

XM UK requires XM Cy, through an arm’s length service agreement, to implement processes and procedures to evidence that it will deliver best execution in accordance with this Policy and regulatory requirements.

4. XM UK’s Approach to Best Execution

In order to meet our best execution obligation to our clients, XM UK takes into account the following criteria for determining the relative importance of the execution factors:

- the characteristics of the client including the categorization of the client as retail or professional;
- the characteristics of the clients’ order; and
- the characteristics of financial instruments that are the subject of that order

XM UK shall take all reasonable steps to obtain the best possible result for both its retail and professional clients taking into account the following factors when executing Clients orders against XM UK’s quoted prices:

a. Price and Overall Consideration of Costs

The main way in which XM UK will ensure that you obtain best execution is by ensuring that the calculation of our CFD and forex bid/ask prices reflect the market price for the underlying reference product to which your transaction relates. XM UK obtains its prices from XM Cy which in turn sources a number of quotes aggregated between top tier liquidity providers.

Our bid/ask prices will generally not be the same as the cash price for the underlying asset. In relation to some financial instruments, at the time at which you give us an order there may be no functioning or no open market or exchange on which the reference product is traded. In such cases XM UK will determine a fair underlying price based on a number of factors, for example price movements on associated markets and other market influences, including information about XM Cy clients’ own orders.

Our charges may be incorporated as a mark-up or mark-down (the difference between the price at which XM UK takes a matched-principal position and the transaction execution price with you). We may alternatively charge a commission or a combination of commission and mark-up or mark-down, which will be made clear to the client when placing orders with XM UK. Our charges are not taken into account in determining best execution prices.
Bid-Ask Spread

i. **Bid – Ask Spread:** For any given Financial Instrument XM UK 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. The difference between the lower and the higher price of a given Financial Instrument is the spread. Please refer to [www.xm.co.uk/spreads](http://www.xm.co.uk/spreads) for more information.

ii. **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.

iii. **Price:** The price for a given Financial Instrument is calculated by reference to the price of the relevant underlying financial instrument, which XM UK obtains from XM Cy, which in turn obtains it from external reference sources. XM UK will not quote any price outside XM UK’s operations time (see Execution Venue above) therefore no orders can be placed by the client during that time.

b. **Speed and Likelihood of Execution**

Due to the levels of volatility affecting both price and volume, we seek to provide client orders with the fastest execution reasonably possible, taking into account any conditions relevant to the client order, although delays may occur.

Given the nature of XM UK’s execution arrangements, the likelihood of execution is a negligible factor during times of orderly trading. However, in cases of market turmoil, likelihood of execution might become a factor that could impact the cost of execution by causing a widening of spreads. In such cases, XM UK will aim to strike the best balance between the execution of the client order and the cost of execution.

c. **Size of Order**

XM Cy seeks execution venues that provide the greatest liquidity and thus potential for execution of large orders. XM Cy also seeks opportunities for client orders to benefit from order-size commitments offered by the execution venues.

5. **Ranking of Execution Factors**

The relative ranking of the different execution factors will be dependent upon, for example, the nature of the Financial Instrument traded, the liquidity of the relevant market and the time of the trade. The execution factors will be ranked for products offered by XM UK as follows:

1. Price and overall consideration of costs
2. Size of order
3. Speed of execution

**Rolling Spot FX**

XM Cy sources a number of quotes aggregated between top tier liquidity providers (and other reputable liquidity providers who aggregate prices received from top tier banks) to construct the pricing of XM UK’s Rolling Spot FX currency pairs. As such, the price that XM UK offers at
any given time is considered to be our ‘best’ and will be automatically updated on a rolling basis to reflect the best price available at the time of trade for the size of your order.

**CFD on Commodities**

The price of CFD on Commodities is a proprietary price derived by Prime Liquidity providers of XM Cy and will generally track that of the relevant underlying exchange traded market.

**CFD on Indices**

CFD on Index prices are XM Cy’s Prime Liquidity Providers’ proprietary prices, which are derived from the relevant underlying Index price, taking into account the cost of carry and liquidity.

6. **Execution Venue**

Execution Venues are the entities with which the orders are placed or to which XM UK transmits orders for execution. For the purposes of orders for the Financial Instrument provided by XM UK, XM UK acts as matched principal with the execution venue being our sister company XM Cy.

**Opening Hours**

Operating hours: XM UK’s operation hours are as follows:

a) Round - the - clock: from 22.00.01 UK Time (GMT) Sunday through 22.00.00 UK Time (GMT) Friday.

b) Non-working periods: from 22.00.01 UK Time (GMT) Friday through 22.00.00 UK Time (GMT) Sunday. Holidays will be announced through the internal mail of the trading terminal supplied by XM UK.

Off-exchange transactions: The client acknowledges that the transactions entered in Financial Instruments with XM UK are not undertaken on a regulated market or a Multilateral Trading Facility, rather they are undertaken through the XM UK’s trading platform and, accordingly, they may expose the client to greater risks than regulated exchange transactions. Therefore XM UK may not execute an order, or it may change the opening (closing) price of an order in case of any technical failure of the trading platform or quote feeds in order to reflect the prevailing market price at the opening (closing) of the said order. Open position in any given Financial Instruments can only be closed during the opening hours of XM UK’s trading platform.

**Matched principal execution model**

XM UK acts as matched principal with the execution venue being our sister company XM Cy. Please refer to the below figure outlining the execution process of our client orders under the matched principal execution model.
7. Specific Instruction

Clients will only be able to trade using the pre-determined set of orders set out in Section 8 of this Policy. In this respect, clients will not be able to specify any other aspects of their order.

8. Type of Orders

The client is given the option to place with XM UK the following orders for execution in the following ways:

a) The client places a “Market Order” which is an order instantly executed against a price that the XM UK 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, 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. XM UK will monitor the pending order and when the price 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’ (an order to purchase a Financial Instrument at or below a specified price),
   - ‘Buy Stop’ (an order to buy a Financial Instrument, which is entered at a price above the current offering price; it is triggered when the market price touches or goes through the buy stop price),
   - ‘Sell Limit’ (an order to sell a Financial Instrument at a specified price or better), and
   - ‘Sell Stop’ (an order to sell a Financial Instrument when it reaches a certain price).
   - You may attach to any ‘Pending Order’ a ‘Stop Loss’ and/or ‘Take Profit’.

c) A client may hold up to 200 positions simultaneously (considered as summary of “Market” and “Pending Orders”). This requirement applies to the total number of positions held at any given time in all of your trading accounts held with XM UK.

The client may modify an order before it is executed. 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.

9. Miscellaneous

Cost

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 Spreads and Conditions on the company’s website.

a) Commissions/Spread: Commissions may be charged either in the form of a percentage of the overall value of the trade or as fixed amount. Please refer to www.xm.co.uk/spreads for more information.

b) 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 Spreads and Conditions section on the XM UK’s website.

For all types of Financial Instruments offered by XM UK, the commission and financing fees are not incorporated into the XM UK’s quoted price and are instead charged explicitly to the Client account.

**Symmetric Slippage**

Orders such as Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop on Financial Instrument contracts are executed at the specified price by the client on the first current price touch. But under certain trading conditions it may be impossible to execute orders (Stop Loss, Take Profit, Buy Limit, Buy Stop, Sell Limit, Sell Stop) on any Financial Instrument contract at the specified price. In this case XM UK will execute the order at the first available price. This may occur, for example, in the following cases:

a) At the start of a Trading Session,

b) During highly volatile markets where prices may move significantly up or down and away from specified price due to news announcements and market events

c) Where there is a 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,

d) If there is insufficient liquidity for the execution of the specified volume at the specified price.

XM UK 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 specified price.

XM UK order execution policy ensures that whenever slippage applies on an order this will be symmetric (i.e. may either improve or worsen execution price of the order with an equal probability and impact). XM UK uses in-house tools to monitor slippages on a frequent basis to ensure symmetry and fairness of slippage.

XM UK shall proceed to a settlement of all transactions upon execution of such transactions.

**10. Aggregation and Split**

XM UK is neither aggregating nor splitting any clients orders. All orders received are individually executed on a back-to-back basis with our counterparty, XM Cy.

**11. Quality of Execution Obtainable at Times of Market Stress**

As indicated earlier in this policy, XM UK will, at all times, take all reasonable steps to achieve best execution for our clients, including during times of market stress. However, sudden losses in market liquidity or at times of market disorder or the impact of political or economic decisions, particularly when they are unforeseeable, can have a severe impact on the quality of execution or even the ability to execute orders itself. This may make it difficult for XM UK to deliver on a client’s traditional expectation of the quality of execution that can be expected in normal market conditions. However, XM UK will continue, during those difficult times, to strive to achieve the best execution we can for our clients and this may include the aggregation of client orders in order to act in the best interests of all clients concerned.
12. Monitoring and Review of the Execution Policy

XM UK will monitor on a regular basis the effectiveness of this Policy and, in particular, its execution arrangements to identify, and where required, correct any deficiencies.

In addition, XM UK will review the Policy and its execution arrangements at least annually or when material changes occur. XM UK will inform its clients via email and/or through the company’s website about any material changes to its Execution Policy or order execution arrangements.

Review of the execution quality of XM Cy

XM UK will conduct independent monitoring of the quality of execution provided by its counterparty, including:

- The review of XM Cy’s in-house data monitoring its own execution against the criteria set in its best execution policy;
- The evaluation of the regular and systematic reviews by XM Cy of the execution venues it utilizes to meet its own best execution obligations;
- The periodic review of the quality of XM Cy execution measured against that of other comparable venues.

XM Cy uses automated tools to execute client orders and in this respect XM UK is dependent on XM Cy best execution arrangements. XM Cy is receiving its liquidity/prices from various top tier financial institutions and aggregates those prices in order to provide to its clients the best available price from the pool of its liquidity providers.

XM Cy has established controls and procedures in order to perform various quality checks prior to selecting a financial institution with which it will work with for obtaining liquidity. Particularly, a three stages assessment needs to be followed and if potential financial institutions fail any stage of the assessment XM Cy does not proceed with the establishment of a business relationship with that particular financial institution.

In addition XM Cy has developed highly sophisticated in-house tools which allow XM Cy’s front-office to monitor its execution arrangements on a real-time basis and receive automated alerts if any execution factor may negatively affect the company’s efforts for achieving best execution. It should be noted that this automated process means that XM Cy personnel has neither the control over the selection of the best available price from the pool of the liquidity providers nor can manually intervene in order to alter any prices streamed to the trading platform.