Capital Index (UK) Limited
Order Execution Policy Summary

Sep 2018

Scope

Capital Index (UK) Limited (hereinafter, "Capital Index" or the "Company") has established an order execution policy (hereinafter, the "Policy"). The policy applies to retail and professional clients as defined in the Client Categorisation Policy on Capital Index's website.

The Company has a duty to conduct all business with its clients in an honest, fair and professional manner and to act in the client's best interest at all times. Capital Index (UK) Limited aims to provide the Company's clients the best execution on every transaction in terms of total consideration. Total consideration takes into account the price of the financial instrument and the costs and expenses relating to the execution of an order.

Trading Services

Capital Index provides CFDs, Spread Trades and Spread Bets on currency pairs, indices, commodities and bonds, which are based on the underlying financial instrument. The Company's price is then constructed from this relevant instrument.

Capital Index is an 'execution only' provider and may deal with clients on a full principal basis where it executes against its own book, meaning that it will act as market maker and will be the sole execution venue for Client orders and the counterparty to Client transactions. Capital Index may also deal with clients on a matched principal basis where it may pass the client's order to another liquidity provider or match it with another client's order.

In all cases Capital Index will seek to provide the best possible result for the client.

Trading Outside a Trading Venue

There are some risks related to trading OTC products outside of a trading venue. All of the products that Capital Index offers are not traded on an exchange.

Although the prices that Capital Index provides are based on price information obtained from its liquidity providers, market information services and the price movements of the underlying product (e.g. the FTSE 100), the prices are not taken directly from source and as such can be different from the exchange or market price of the underlying instrument. This can lead to price risks as Capital Index cannot always guarantee the prices it provides are identical to those of the underlying instrument.

All trades are executed through our Trading Platform. Trades are considered executed on our Trading Platform as soon as the trade has been confirmed to you. Trades are normally executed immediately, although there may be circumstances where this is not possible.

Clients are encouraged to request any additional information they require with regards to the above additional risks.

Selection of Best Execution Factors

Capital Index will consider a number of factors when selecting the weighted importance of best execution factors. These factors are:

- The characteristics of the Client;
- The characteristics of the Client order;
- The characteristics of the financial instrument to which that order relates including but not limited to size and nature, market impact of the order; and
- The characteristics of the execution venues or entities to which that order can be directed such as but not limited to speed, likelihood of execution and settlement and any other transactional costs whether implicit or explicit.

As indicated, the methodology in selecting an appropriate execution venue may be varied by specific instructions by the Client, or in the alternative, at Capital Index's discretion using commercial judgment and experience where this would not prejudice acting in the Client's best interest.

Best Execution Factors

Capital Index generally considers the most important execution factors to be ranked as:

- Price
- Cost
- Speed of execution
- Likelihood of Execution
- Quality of Execution
- Size of Trade

These are expanded in the sections below:

Price

The Company quotes bid and ask prices. The "ask" is the higher price at which the client can buy and the "bid" is the lower price at which the client can sell. The difference between the "bid" and "ask" is called spread which can vary with the different type of accounts.

The quoted prices for a given contract are calculated from the prices of the relevant underlying instrument that the Company derives from external third party sources. The Company's prices will not normally be the same as the prices of the underlying instruments, as the Company adds spread and/or commission. Capital Index's prices can also be adjusted to take into consideration factors such as market liquidity, dividends etc.

Prices can be quoted outside of the normal trading hours for that particular underlying instrument. During these times the Company may reduce the maximum size of trade and / or widen the spread.

Capital Index reviews the pricing it receives by using independent sources to confirm the pricing is as close to market as possible. In this way the Company ensures it provides the most up to date prices possible to its clients.

Transaction Costs

Capital Index considers transaction costs to be very important. As the Company's quoted prices include spread, the Client will not normally be charged any additional fees or commissions. However, the Client may be liable to pay a commission charge for each opening and closing trade on certain markets. (The client will have been informed of such fees or commissions prior to trading). Pro-Account holders will be subject to commission charges as agreed when opening the account.

A Spread Analysis Report is typically executed once a week for a sample of products. Capital Index compares its spreads with other main competitors in order to ensure it remains competitive and is not passing unfair costs on to its clients.

Speed of Execution

The company places significant importance on speed of execution when executing client's orders and aims to offer a high speed of execution within the limitations of technology and communications links.

The Capital Index Dealing Desk produces a latency report which is executed daily. The trading desk will look at the amount of time elapsed between orders being placed by clients and being executed by Capital Index. Trades with latency over a certain threshold will be investigated to ascertain the cause of the issue and to quickly resolve the problem. This will ensure ongoing and rapid execution of client trades.

Likelihood of Execution

Capital Index considers the likelihood of execution to be very important. Clients are provided with continuously updating two-way prices when executing through the Company's trading platform. During the Company's trading hours, clients are able to trade up to specified trade sizes immediately with a very high degree of certainty.

Rejected trades are investigated to ensure Capital Index maintains high standards in relation to the likelihood of executing a client trade.

Quality of Execution

The quality of a client's executed trade can be ascertained by measuring the difference between the price at which the client left an order and the execution price (the level of slippage). The slippage report is executed daily. In instances where the slippage is material, an investigation is conducted to determine the cause of the slippage. It is also used to monitor negative and positive slippage to ensure symmetry.

Slippage

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.

Slippage is more likely during periods of illiquidity or higher volatility (for example due to news announcements, economic events and market openings and other factors). In these situations, it may be impossible to execute an order at the specified price if that price was not quoted or traded in the market, due to a price gap.

Capital Index does not benefit from slippage. Client orders are filled at the best currently available price. Slippage can be both positive and negative depending on market conditions and volatility. Slippage can occur on Stop Loss orders, Take Profits and other types of Orders. Capital Index does not guarantee the execution of Client orders at the price specified because of slippage.

Size

In general, order size will not impact order execution.

The Company has set minimum and maximum trade sizes for each market. These may vary depending on the market conditions for the underlying instrument. The size of a client's order typically has no bearing on the quality of execution received.

If a client attempts to trade above the maximum trade size it will be rejected. In certain circumstances, orders outside of these thresholds may be executed. Likewise, in exceptional circumstances, orders of any size may be rejected.

Specific Instructions

If the client gives the Company specific Order instructions, those instructions will take priority over other determinants as set out in this Policy.

Where execution under specific instructions results in the Company having to use a different process than that specified in this Policy, the Company may have to pass the direct costs incurred on to the Client in accordance with the terms of the Trading Agreement.

Order Types

The nature of an order and the characteristics of an order can affect execution. Below, Capital Index describes the different kinds of orders that a Client can place:

- **Market Order**: this is an order to buy or sell at the current market price. The system automatically executes the 'market order' at the best available price at the time of the execution.
- **Stop Orders**: this is an order to buy or sell once the market reaches the 'stop price'. Once the market reaches the 'stop price', the 'stop order' is triggered and treated as a 'market order'. If the 'stop order' is not triggered it shall remain in the system until a later date subject to the conditions described in the 'Good till Cancel' section. 'Stop orders' can be placed as close to the current market price as possible; but cannot be placed closer than the spread of that particular market.
- **Stop Loss**: this is an order to minimise losses. Once the market reaches the 'stop loss price' the order is closed. If the 'stop loss' is not triggered it shall remain in the system until a later date. A 'stop loss' can be placed as close to the current market price as possible; but cannot be placed closer than the spread of that market.
- **Limit Orders**: this is an order to buy or sell once the market reaches the 'limit price'. Once the market reaches the 'limit price' the order is triggered and executed at the 'limit price' or better. If the limit order is partially filled, a new Limit order will be automatically created for the outstanding volume and executed once the market price reaches the originally requested 'limit price'. If the 'limit order' is not triggered it shall remain in the system until a later date subject to the conditions described in the 'Good till Cancel' section. 'Limit orders' can be placed as close to the current market price as possible; but cannot be placed closer than the spread of that particular market.
- **Take Profit**: this is an order to realise profits. Once the market reaches the 'take profit price' the order is triggered and treated as a 'limit order'. If the 'take profit' is not triggered it shall remain in the system until a later date. A 'take profit' can be placed as close to the current market price as possible; but cannot be placed closer than the spread of that market.

- **Good till Date**: is a time setting that applies to working orders. The client may choose a specific date in the future until which the order will remain 'live'. If the order is not triggered during the pre-determined timeframe, it shall be deleted from the system.
- **Good till Cancelled**: is an execution setting that the client may apply to working orders. The working order may remain 'live' until it is either cancelled by the client or triggered.

Company's Obligations

Capital Index will comply with the Order Execution Policy and monitor compliance with this policy. The Company will maintain records of the data which is used to quote prices.

If you have any questions regarding this policy or require further explanations concerning this Policy Summary, please feel free to contact the Client Services department at:
clientservices@capitalindex.com