

Capital Index (UK) Limited

Order Execution Policy Summary

Aug 2019

Scope of the Policy

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 and Spread Bets on currency pairs, indices and commodities which are based on the underlying financial instrument. The price is then constructed on 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

The products that Capital Index offers are not traded on an exchange. Although the prices that Capital Index provides are constructed based on price information obtained from its liquidity provider(s) and the price movements of the underlying product, the prices are not taken directly from an exchange and as such can be different from the exchange or market price of the underlying instrument. As a result, Capital Index cannot always guarantee the prices it provides are identical to those of the underlying instrument.

All trades are executed through our Trading Platforms. Trades are considered executed on our Trading Platform as soon as the trade has been confirmed to the client. 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 in relation to these topics.

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 alternatively, 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 on 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 always 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 certain underlying instruments. During these times the Company may reduce the maximum size of trade and / or widen the spread. The company reviews its price providers to ensure that correct and competitive pricing is offered. Capital Index reviews the pricing it receives by using independent sources to confirm that trade prices are consistently and sufficiently close to the market.

Transaction Costs

As the Company's quoted prices include spread, the client will not normally be charged any additional fees or commissions at the time of trade. Capital Index Black Account holders, however, will be subject to commission charges as agreed when opening the account. (The client will have been informed of such fees or commissions prior to trading).

A Spread Analysis Report is typically executed once a month for all 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 aims to offer a high speed of execution within the limitations of technology and communications links.

As part of its best execution monitoring, Capital Index produces an execution speed report which measures the amount of time elapsed between a client order reaching Capital Index and being executed by Capital Index. Trades with execution times over a pre-defined threshold will be investigated to ascertain the cause of the issue and to quickly resolve any issue.

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 can trade up to specified trade sizes immediately with a very high degree of certainty.

Rejected trades are recorded as part of Capital Index's best execution monitoring 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's order was triggered and the execution price (slippage). Slippage is measured as part of the best execution monitoring on a monthly basis. In instances where the slippage is significantly higher than expected, an investigation is conducted to determine the cause of the slippage. This report is also used to monitor negative and positive slippage to ensure symmetry.

If the execution price is better than the trigger price of the client's order (the price recorded at the time the client's order reached Capital Index after it had been triggered, or in the case of a market

order after it had been issued), this is referred to as positive slippage. If the executed price is worse than the trigger price, 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). In these situations, it may be impossible to execute an order at the requested price or at the trigger price if that price was either not quoted due to a price gap or if there was insufficient liquidity.

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 market orders, stop losses, take profits and other types of orders.

Size

For the majority of trades, 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.

Larger order sizes may be subject to negative slippage on execution due to insufficient liquidity in the market.

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.

Execution Venues

For all classes of financial instruments and all account types, Capital Index will act as principal in respect of client transactions. We may seek to act as market maker and may hedge none, all or part of our market risk in the underlying market.

Capital Index assesses its own execution venue(s) when determining the pricing, hedging and execution of client transactions. A list of our execution venues can be found on our website within the Execution Quality Summary Statement.

Factors Affecting the Choice of Execution Venue

The following factors affected the choice of our execution venues:

Price

Our execution venues aggregate feeds from multiple pricing providers, ensuring provision of competitive and accurate pricing.

Cost

Execution venue costs have been agreed at a sufficiently low level to ensure fair and competitive trading costs for the clients of Capital Index.

Speed of Execution

Execution venues were selected due to their low latency pricing solutions.

Likelihood of Execution

Execution venues were selected due to their ability to ensure a very high level of execution certainty.

Quality of Execution

The order execution policies of our execution venues were reviewed prior to establishing relationships, to ensure low levels of slippage and symmetrical slippage.

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.

When executing an order following specific instructions from the client, this shall be treated as the Company having satisfied its best execution obligations only in respect of the part or aspect of the order to which the client instructions relate. The fact that the client has given specific instructions which cover one part or aspect of the order shall not be treated as releasing the Company from its best execution obligations in respect of any other parts or aspects of the client order that are not covered by such instructions.

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:** 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'. At this point 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' cannot be placed inside the spread of the particular market.
- **Stop Loss:** this is an order to potentially 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' cannot be placed inside the spread of the particular market.

- **Limit Orders:** this is an order to buy or sell once the market reaches the 'limit price'. At this point the order is triggered and treated as a 'market order'. 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' cannot be placed inside the spread of the 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 'market order'. If the 'take profit' is not triggered it shall remain in the system until a later date. A 'take profit' cannot be placed inside the spread of the particular market.
- **Good till Date:** this 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.

Account Types

Capital Index offers 3 different type of accounts:

Advanced

This is the most popular account offering typical spreads.

Pro

This account has lower spreads.

Black

This account has the lowest spreads and charges commissions.

	Advanced	Pro	Black
	Variable spreads	Variable spreads	Variable Spreads
Min Deposit	100 currency units	5,000 currency units	50,000 currency units
Default Leverage	Defined by asset class	Defined by asset class	Defined by asset class
Max Leverage	1:30 (for FX)	1:30 (for FX)	1:30 (for FX)
Min FX Trade Size	0.01 Lot	0.01 Lot	1 Lot
Min Trade Size (Non -Fx)	0.1 Lot	0.1 Lot	1 Lot
Trade Size Increment	0.01 Lot	0.01 Lot	0.1 Lot
Trade Size Increment (non-FX)	0.1 Lot	0.1 Lot	0.1 Lot
Commission	No	No	Yes
Account Currency	GBP, EUR, USD	GBP, EUR, USD	GBP, EUR, USD

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 clients have any questions regarding this policy or require further explanations concerning this Policy, they may contact the client Services department at support@capitalindex.com