



Formax Prime Capital (UK) Limited

Best Execution Policy

1 Overview

This Best Execution Policy is applicable to the Matched Principal Broker services provided to you by Formax Prime Capital (UK) Limited (“Formax”, “Firm”) and this Execution Policy should be read in conjunction with the Firm’s standard terms of business.

1.1 Introduction

Formax’s business is providing liquidity to professional, institutional (small funds and FX retail brokers) and retail clients in FX, Contracts for Difference and similar instruments. Your trades will be executed on the Firm’s MT4 trading platform. Those trades will be immediately matched to liquidity providers utilising their straight through processing model.

When providing a brokerage service to you in relation to financial instruments (as set out in Annex 1), the Firm will take reasonable steps to achieve the best overall trading result for you. This means that the Firm will aim to provide “best execution” subject to and taking into account the nature of your orders, 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 (which are detailed below).

The Firm’s intention is, so far as possible, to exercise consistent standards and operate the same processes across all markets, clients and financial instruments in which the Firm operates.

The Firm also intends to provide you and other market participants with access to (where possible) tradable prices on a non-discriminatory basis. However, the diversity in those markets and instruments, and the kind of orders that you may place, mean that different factors will have to be taken into account in relation to any particular transaction.

Annex 2 to this document provides further detail on the nature of the services of the Firm, as a MPB, provides to its clients.

2 Exemptions from the provision of Best Execution

Notwithstanding the intentions expressed above, the Firm does not undertake to provide “best execution” if you fall within any of the following exemptions:

2.1 Eligible Counterparties

If you are classified as an Eligible Counterparty you will not be entitled to best execution under the UK Financial Conduct Authority (“FCA”), or equivalent EU rules. This is in line with Article 24 of MiFID which provides that the best execution obligation under Article 21 will not apply.

2.2 Market Practice

In the wholesale OTC derivatives and bond markets (and for the avoidance of doubt this would include derivatives in Equities, Energy and Commodities) in which the Firm operates (and as recognised by the



European Commission) it is normal market practice for buyers and sellers to “shop around” by approaching several brokers/dealers for a quote.

In these circumstances there is no expectation between the parties that the broker/dealer chosen will owe best execution. As a sophisticated participant in the wholesale markets, unless you advise us to the contrary we will assume that this is your normal trading behaviour.

2.3 Client Instructions

Where you provide the Firm with a specific instruction in relation to your order, or any particular aspect of your order, including an instruction for your trade to be executed on a particular venue, the Firm will execute the order in accordance with your instructions.

However, please note that in following your instructions, the Firm will be deemed to have taken all reasonable steps to provide the best possible result for you in respect of the order, or aspect of the order, covered by your specific instructions.

3 Clients

The Firm deals with: Retail Clients, Professional Clients and Eligible Counterparties as defined in MiFID and by the FCA.

Because the Firm always intends to handle orders and expressions of interest in an equitable and consistent manner, once a client is classified, for the purposes of a particular instrument, that client may not then elect to be re-classified for the purposes of one transaction of a type it customarily undertakes.

Exceptional circumstances may be taken into account at the time, with the consent of the Firm (the Firm may decline to provide a service should a reclassification be requested).

4 Execution Venues

Formax currently executes orders for spot FX and CFDs. Formax will not be using a prime broker to execute orders. The firm currently uses only one Execution Venue. Management has carried out extensive due diligence on the Venue and its performance will be continually monitored to ensure our clients continue to receive excellent service primarily on the bases of prices offered, total consideration to the client, speed of execution and reliability of trading infrastructure. Our key check will be to check if latency and price slippage is excessive.

When selecting the execution venue, the Firm took reasonable measures to ensure that it could obtain the best possible trading result for its clients, subject to the following factors:

- In the markets in which the Firm operates, the platform will give clients visibility to prices that have been communicated to the Firm;
- The platform will provide details of all tradable bids and offers (subject to the other matters referred to below);



- Time availability of prices – in many markets there are lulls and spikes in trading as negotiations align trading interests at different times and different parts of the curve, accordingly the “last traded” price may not always be available or act as a reliable indicator of current price;
- Formax cannot allow clients to trade in a market unless it is reasonably satisfied that the client (via an agent or otherwise) is capable of settling the relevant trade;
- Fees may vary between clients, based on agreements and levels of activity.

The execution venues used may evolve and Formax reserves the right to include/exclude execution venues at its own discretion.

5 Execution Factors

In the absence of express instructions from you, the Firm will exercise its own discretion in determining the factors that the Firm needs to take into account for the purpose of providing you with the best possible result.

These execution factors in the markets in which the Firm operates have been listed in order of priority and will include, but are not restricted to, the:

- Price execution: Our prices on OTC products are sourced from independent price providers who supply liquidity to the OTC markets. Formax will provide live streaming quotes for these instruments on its platform.
- Cost: We have two methods of charging our clients, by incorporating a mark-up to the prices from our liquidity providers or by charging a commission with each trade.
- Likelihood and speed of execution: Through the use of an automated trading platform, orders will be executed promptly. Slippage may occur depending on market conditions. This means that at the time an order is received by us for execution, the specific price requested by you may not be available; therefore, the order will be executed close to the client’s requested price. If the execution price is better than the price requested by the client this is referred to as ‘positive slippage’. In contrast, if the execution price is worse than the price requested by the client this is referred to as ‘negative slippage’.

Please be advised that slippage is a common feature of the foreign exchange markets. This can be caused by illiquidity and volatility due to news announcements, economic events and market openings.

- Size, nature and characteristic of the order: A typical transaction consists of a currency trade in one lot or less, hence will be highly liquid. Some venues will not cover all instruments therefore in some cases the nature of the order will determine the venue.
- Characteristics of the client: Our client base will consist of Retail Clients although we will also deal with Professional Client and Eligible Counterparties. The Firm is aware that Retail Clients

are afforded the highest protections and will place greater emphasis on any obligations owed to them.

- Settled block trades, or positions larger than standard market size, may be crossed at a particular stage in the trading day or kept anonymous to the majority of market participants; unless otherwise directed.

5.1 Contracts for Difference (CFDs)

The Firm recognises that when closing out an open position, the client must close out the contract with the firm that sold it to them, even if there is a better price elsewhere. The price that is quoted for a CFD product will be based on the price of the relevant underlying instrument. To this will be added our spread and fees so the price may differ from the exchange or market makers quotes on the underlying instrument, however we will disclose these costs to you and seek out the best possible consideration on the underlying instrument in so much as the automated platform is able to.

5.2 Price Slippage

It is acknowledged that in rare circumstances, price slippage may occur despite the automated nature of the platform. There are several factors that may lead to price slippage, for example, market data latency, the speed of a client's internet connection or high market volatility. You should be aware that when price slippage occurs it can be to your disadvantage.

5.3 Trades outside Market Hours

In some cases, the Firm will obtain a quote outside of market hours and these may be subject to discretion. It may be necessary to reduce the maximum size of the trade or widen the spread or take any other steps required to obtain a fair price wherever possible in those circumstances.

6 Fees and Costs

The Firm does not charge different fees or costs depending on the venues used in order to ensure that costs are transparent and fully disclosed to you, the client. For some markets, you may be liable to pay commission charges for opening and closing trades however these costs will be disclosed to you where required.

The Firm will agree a charging structure with you at the outset and the charging structure will not vary depending on the financial instrument being traded however you should be aware that the spread can differ and that this is beyond our control. All implicit and explicit costs will be disclosed to you.

6.1 Payment for Order Flow

The Firm does not receive 'Payment for Order Flow', meaning that we do not receive commission or fees for arranging transactions with market makers or liquidity providers, thereby ensuring that there is no conflict created by fees in our execution arrangements.

7 Conflicts of Interest

The Firm recognises that conflicts may exist between the interests of the Firm and its clients. The platform on which orders are transmitted will display the best available prices from its selected liquidity providers, thereby reducing the scope for conflicts.



The Firm will take steps to manage, mitigate and avoid potential and actual conflicts and internal systems are in place to ensure that otherwise comparable client orders are carried out sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impractical or it is not in the best interests of the client.

8 Monitoring and Review

The Firm will monitor the effectiveness of its order execution arrangements and order execution policy in order to identify and, where appropriate, incorporate any amendments to procedures.

The Firm will assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for its clients or whether the Firm needs to make changes to its execution arrangements.

The Firm will review its order execution arrangements and order execution policy at least annually or whenever a material change occurs that affects its ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the venues included in its order execution policy.

The Firm will notify you of any material changes to its order execution arrangements or order execution policy as described above by posting the information on the Firm's website.

9 No Fiduciary Relationship

The Firm's commitment to provide you with "best execution" does not mean that it owes you any fiduciary responsibilities over and above the specific regulatory obligations placed upon it or as may be otherwise contracted between the Firm and yourself.

You remain responsible for your own investment decisions and the Firm will not be responsible for any market trading loss you suffer as a result of those decisions.

Annex 1: Financial Instruments as defined by FSMA

1. Transferable securities
2. Option (excluding a commodity option)
3. Future (excluding a commodity future)
4. Contract for Difference
5. Rights to or interests in investments (security)
6. Commodity option and option on commodity future
7. Commodity Future
8. Spread Bet
9. Rolling Spot Forex
10. Rights to or interests in investments (contractually based investment)

Annex 2

Matched Principal

In the matched principal model, the broker facilitates its clients' trading activity in products by taking part in a matched transaction as principal.

The broker can provide for its clients an indication of market prices and volumes for Foreign Exchange, OTC cash products (e.g. investment grade bonds). For exchange traded cash equity products, the client can use the exchange as an indication of the market.

The broker will not trade speculatively for a client or for its own book in the market. The trade will only be executed as a result of a firm client order to buy or sell at a set price or size.

Once the trade is complete, price, volume and terms are communicated through the broker and back office confirmations.

Settlement is made between each client based on the market convention with the brokerage fee, either incorporated in the all-in price passed to the client through a disclosed brokerage or through a monthly invoice.

Example: Matched Principal

Step 1

- BROKER provides access to the OTC market place for the trading of illiquid cash fixed income transactions.
- BROKER facilitates quotes from clients and publishes them on an anonymous basis as an indication of the current market price in the OTC market. This service is not required for Exchange based trading as the market rate is widely known.

Step 2

- For OTC transactions, once BROKER has two or more interested clients, the price and trade terms are verified.
- For exchange based transactions, a Firm client order is given (either volume or price) prior to the execution of the order against the exchange.

Step 3

- Once BROKER is certain of execution (or potential for execution) on both sides of an OTC trade, it confirms the trade against the two clients.
- BROKER sends a confirmation to each client of the principal transaction.

Step 4

- Settlement is made with each client based on the market convention.