TRADING 212

Trading 212 UK Limited
Summary Order Execution Policy
January 2022

1. Purpose of the Policy

Under the applicable laws, Trading 212 UK Limited (hereafter T212/firm/we, the Company) is required to have in place an order execution policy and to take all sufficient steps to obtain the best possible result (best-execution) on behalf of its clients. This Order Execution Policy sets out the means by which we will meet our best execution obligations when executing orders for our clients. This policy does not impose any fiduciary responsibilities or duties over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us.

Our Order Execution Policy applies when we execute orders from clients to trade in any of the Financial Instruments offered by us, which include (but are not limited to) Contract for difference on Currency pairs (Forex), Indices, Commodities, Futures, Shares, Fractions of Shares (a proportion of a share), cash-settled Equities and Exchange Traded Funds.

Subject to any specific instructions that may be given by our clients, we will take all sufficient steps to obtain the best possible result for our clients, taking into account the Execution Factors listed below. The application of best execution, where the Company engages with a Client on a request for quote basis, will depend on whether the Client “legitimately relies” on the Company to protect his or her interests in relation to the pricing and other elements of the transaction, such as speed or likelihood of execution and settlement, that may be affected by the choice made by the Company when executing the order. What constitutes best execution will vary with the circumstances of the order and the preferences of the client.

We have determined the relative importance of the Execution Factors by using our commercial judgment and experience in light of the market information available to us and taking into account the Execution Factors described below.

2. Execution Factors

We have determined that the order of importance of the execution factors is the same across all T212 products and markets; that for all retail clients the best possible result will be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution.

Price:

For all financial instruments the Company offers, we quote two prices: the higher price (BUY), at which a client can buy the instrument, and the lower price (SELL), at which a client can sell it. The price for a given contract is calculated by reference to the price of the relevant underlying financial instrument. We obtain this price from a range of third-party reference sources. For some kinds of instruments, e.g., equities, there will be a third-party securities exchange from which we will obtain this price. For other kinds of instruments, e.g., foreign exchange, we will collect price data from nominated wholesale market participants.

The Company's prices can be found on T212's proprietary trading platform. The prices are updated as frequently as the limitations of technology and communications links allow but should be considered an indication of the live market price rather than a quotation. The number and price of shares are indicative and may vary at execution of market orders. This indicative price may vary from the price at which a trade may be executed, depending on factors such as but not limited to movements in the foreign exchange markets between the time that a client places the order and the time that the order has been executed. The same applies if there is a delay between the time that a client places an order and the time that the order is executed.

The platform may show a client the target profit in the currency of the account. This information is indicative and not guaranteed. The Company reviews its third-party external reference sources from day to day to ensure that the data obtained is as timely and accurate as can be. When the price reaches an order level set by a client, for example: Stop, Take Profit, Trailing Stop, Market Order, Limit Order, these orders are executed immediately. However, under certain trading conditions, there is a possibility that these orders cannot be executed at the client's requested price. When this happens, the Company has the right to execute the order at the first available price. This may occur, for example, at times of rapid price fluctuations 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. Such fluctuation can result in a better or worse price being received. This may also occur during thin liquidity conditions.

If a trade is executed outside of a regulated trading venue (e.g. for fractional shares) the order will be filled at no worse a price than that of the reference price on the reference exchange.

In exceptional circumstances (such as increased volatility or reduced illiquidity in relation to the underlying market concerned) T212 may be forced to alter the spreads on CFD products offered.

Costs:

For CFD contracts in most circumstances T212 applies a spread (mark-up on the underlying spread) and no other charges or commissions are payable by clients. The price quote shown on the platform already includes any additional spread and there will be no additional spread or commissions added to the execution price. The Company's own charges are not taken into account in determining the best execution prices. For any positions held open overnight, the Company will credit or debit your account on a daily basis with an overnight interest swap which is charged at 10pm (UK time). The amounts of these interest swaps are updated daily and can be found within the trading platform product information pages.

For Share Transactions, T212 does not charge any commission or apply additional spread upon the execution prices, it does however apply FX conversion costs in the purchasing of securities in a currency other than the clients deposit currency. All fees are visible to clients prior to the point of sale as they fluctuate in line with the relevant underlying spot market. Other applicable fees relating to stamp duty or local tax regulations are applied in accordance with the relevant governing body and visible within the platform prior to trading.

All costs associated with any execution as added by T212 are detailed within the [“Trading Instruments”] section of our website and within the platform and are not dependent on any priority criteria chosen by T212 or execution method.

Speed of Execution:

When a client submits a market order or a stop loss is triggered T212 considers that the speed with which a trade is executed is of significant importance to its clients. T212’s execution engine ensures all CFD contracts are executed automatically. Market orders are therefore filled immediately on the next available price, whilst stop or limit orders would be filled once their target level is reached.

Similarly for Share Transactions, where T212 has chosen to route the order to the Firm’s own ‘Systematic Internaliser’ venue, market orders will be executed on the next price update once received from the relevant securities venue to validate the reference price, for most products this will result in an immediate execution. If a market order is routed to a regulated market/exchange, execution will be confirmed to a client once a trade confirmation is received from the trading venue. Whilst the majority of orders are filled immediately, T212 will generally prioritise price of execution over speed, depending on market conditions prevailing that it is in the best interest of the client.

Other factors that may affect execution speed include poor internet connection, or any other link to the Company’s servers and platform which may affect the execution of the Clients’ orders.

Additional Factors

In determining the importance given to other factors T212 will exercise its commercial judgement in assessing other factors impacting the likelihood of execution, such as the size and nature of the transaction or order, liquidity in the market and the availability of price improvement, in order to obtain the best result for the client.

Transaction Size and Nature - All transaction execution is subject to size considerations. If the requested transaction size is larger than T212 is able to trade in the ‘underlying market’ on the relevant exchange at that time then the entire transaction or order may be rejected but T212 may offer greater liquidity than the ‘underlying market’ at its discretion. Every market quoted by T212 has an absolute minimum and maximum permitted and this can be found by clicking on the information icon button associated with each market. The maximum transaction size may vary due to market conditions and is, at all times, at the discretion of T212.

In the event of a transaction request of unusual size or where the market in which the transaction has been requested is illiquid or very volatile T212 may prioritise price over speed of execution and may, at its sole discretion, only accept the transaction after T212 has covered the exposure in the underlying market.

Likelihood of Execution and Settlement - In almost all circumstances, client transaction requests will be executed automatically at the level requested or prevailing market level in case of a 'market' order request, subject to the size requested being equal to or under size permissible by T212 at that time.

In order to minimise possible rejections T212 apply maximum client order sizes in line with the typical liquidity of the underlying instrument or security, therefore enabling T212 to maintain a high execution rate.

In certain circumstances due to speed of internet communications, market volatility or in the case of an erroneous price being submitted, transactions may be rejected by T212 if the price requested by the client is not representative of the 'underlying market' price when received by T212.

On rare occasions T212 may provide a partial fill of a transaction request as an alternative to an outright rejection, T212 will not provide a partial fill as an alternative to filling it in its entirety.

In determining the importance given to the other factors (speed, likelihood of execution and settlement, the size and nature of the order) T212 will exercise its discretion in assessing the criteria that we need to take into account to provide clients with the best result. The relative importance of these criteria will be judged in line with our commercial experience and with reference to market conditions including the need for timely execution, availability of price improvement, the liquidity of the market and size of your order (which may make it difficult to execute an order) and the potential impact on total consideration. In certain circumstances therefore T212 may determine that the speed, and likelihood of execution and settlement for example may take precedence over immediate price and cost factors if they are instrumental in delivering the best possible result. This may be the case for example for orders in illiquid or non-electronically executable shares or when a stop has been triggered.

3. Transparency of Pricing

In executing client orders T212 does not receive any remuneration, discount, or non-monetary benefit for routing client orders to a particular Trading or Execution Venue which would infringe any conflicts of interest or inducement requirements under MiFID II. However, and in case where the firm receives such inducements, such amounts may be received, if and only if the inducement is designed to enhance the quality of the relevant service to the client and does not impair compliance with the firm's duty to act honestly, fairly, and professionally in accordance with the best interest of its clients. T212 charges fees only as provided in the firm's Terms of Business, or as may otherwise be agreed between T212 and the client. It is noted that the price when executing orders may include a mark-up/down. The mark-ups depend on various circumstances, including amongst others, the nature of the Financial Instrument, and market conditions. When CFDs are offered, T212 may charge a spread on the transaction. This spread includes a mark-down on the bid (sell) price and a mark-up on the ask (buy) price we receive from our price source and/or the prices we receive from our selected Execution Venues. In general, in relation to CFD products, the term "spread" often encompasses two layers of costs, since a markup to a reference price may be applied, but that reference price is also derived from a market price with an accrued 'core' spread already factored in. Any mark-up applied will be symmetrical to either:

a) the data received from independent market data providers or publicly available sources (when dealing on own account), or
b) the price provided by the selected Execution Venues or liquidity providers relating to the provision of CFDs and other speculative products. We will not seek to benefit from clients through asymmetric price movements.

4. Algorithmic Trading

T212 does not place significant reliance on algorithmic trading systems to meet its obligation to take sufficient steps to obtain on a consistent basis the best possible result for the execution of client orders.

5. Execution Criteria

The Execution Criteria that will be taken into account are the characteristics of:

1. the Client (and the Client's categorisation);
2. the characteristics of the order;
3. the characteristics of the Financial Instruments that are the subject of that order; and
4. the Execution Venues to which that order can be directed.

For completeness, the company has chosen to offer best execution to all its clients irrespective of whether they are classified as Retail or Professional.

6. Execution Venues

Whilst T212 typically acts as principal in respect of client orders, it will assess the venues available to it for the pricing and hedging of CFD contracts and the execution of Share transactions. Presently whilst CFDs are manufactured by T212, it is therefore the sole execution venue available for CFD contracts and therefore will always act in a principal capacity.

For Share Dealing transactions T212 may act as agent and route client orders directly to one of its nominated brokers who will execute at any of the available venues or will act as principal and execute orders via the Firm's own 'Systematic Internaliser' venue. Trading 212 UK Limited will always inform clients where the transaction has been executed as a part of its post-trade notification process. Trading 212 UK Limited is required to publish annually the top five execution venues that we use and the summary of the analysis of the quality of execution obtained on the execution venues. These are published on the companies' website www.trading212.com.

T212 views that price and costs associated to the execution (total consideration) are in most cases the most important factors for clients and therefore to be prioritised when determining the choice of venue, but also considers how each of the other execution factors are affected for example, speed of execution and likelihood of order acceptance in a variety of markets and order types.

The financial soundness and order execution policies of any counterparty or venue are also considered. In respect of CFDs the firm will seek to manage risk as market maker and may choose whether to hedge part or all the CFD contracts in the underlying market. With this approach T212 believes there is a greater likelihood of reduced execution costs and market price impact for its clients overall. Where hedging in the underlying market is required, this may affect the price of the Contract that T212 enters into with its clients, considering the prevailing market prices available to T212.

For the avoidance of doubt our Order Execution Policy means that T212 may execute client Share Transactions and will execute client CFD Contracts outside a regulated market or MTF. This approach allows T212 to consistently source the best price for client orders, however it does bring with it a greater counterparty and settlement risk compared to trading on exchange. Further information is provided within the Risk Disclosure Notice in relation to these risks.

The venues T212 deem to allow it to obtain on a consistent basis the best possible result for the execution of client orders is subject to change as the firm sees fit and shall include amongst others regulated markets, multilateral trading facilities ('MTFs'), market makers (e.g., RSPs), systematic internalisers, executing brokers and other liquidity providers. A non-exhaustive list of the execution venues upon which the firm places significant reliance is to be published on the Order Execution Policy page of the website and will be updated at least annually.

T212 periodically reviews which execution venues it uses and will consider amongst other factors, the firms' reputation, the number of liquidity pools/regulated markets/MTFs accessible via the venue and the use of smart order routing technologies to source the best available prices. Additionally, where T212 operates its own systematic internaliser, T212 will regularly review the performance of the SI's best execution delivery against executions available via other trading venues and assess whether additional sources of quotations could improve the execution performance for its clients.

7. Trading outside a Regulated Market or a Multilateral Trading Facility (MTF) or Organised Trading Facility (OTF)

Under the FCA rules, where an instrument is admitted to trading on a Regulated Market, MTF or OTF, we are required to obtain the client's prior express consent before we arrange for an order in such instruments to be executed at an alternative venue. When agreeing to our terms and conditions the client expresses their consent to us arranging for their orders to be executed outside a Regulated Market, MTF or OTF.

Orders executed outside a Regulated Market, MTF or OTF will conform to our Best Execution policy and should not disadvantage clients. When executed in this manner, all market orders in equity instruments will be executed at the best available price on the primary trading venue of the relevant equity instrument near to or at 100% of the time.

Trades executed off exchange will be filled at a price no worse than the prevailing best Bid/Offer on the reference exchange.

For transactions executed outside a Trading Venue, there are certain transparency requirements and specific information has to be made public. The information will be published via an Approved Publication Arrangement.

8. Execution arrangements involving connected parties

Where T212 is executing client orders with a connected party (e.g., entity within the same group) it will remain responsible for delivering best execution to its clients. T212 ensures that any such arrangements with a connected party:

- are made on an arm's-length basis, such that the connected party is considered alongside other third-party venues and is selected because it allows the firm to deliver the best possible result to its clients on a consistent basis.
- allow the firm to have sufficient, independent oversight of its execution arrangements (i.e., that oversight is not performed by the connected party).
- ensure sufficient and free access to information to ensure the firm can effectively monitor and challenge execution prices provided by the counterparty; and

- where a connected party is selected on the basis that it offers reduced execution costs, the firm will ensure that this would result in a benefit to the client.

9. Aggregation

The Company will not aggregate a client order with another client order unless the following conditions are met:

- It is likely that the aggregation will not work to the overall disadvantage of any client whose order is to be aggregated;
- It has been disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order (as disclosed in the Firm's Terms of Business); and
- the order will be aggregated in accordance with this Policy, which is designed to achieve a fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

10. Allocation Policy

In accordance with the obligations under the applicable laws, the Company will endeavour to provide clients with prompt, fair and expeditious execution of orders placed with the Company, relative to other orders from its clients. In so doing, the Company:

- promptly and accurately records and allocates orders executed on behalf of clients;
- carries out comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise; and
- informs clients about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

11. Ensuring Best Execution

As a manufacturer of CFDs T212's quotes are bespoke to the firm's own product terms and therefore the way in which T212 ensures that it meets its best execution obligation to its clients is by ensuring that in its calculation of its bid/offer prices, due regard is given to the market price for the underlying reference product to which the CFD relates. T212 subscribes via its data vendor to multiple price feeds, including nominated wholesale market participants and from regulated markets/exchanges upon which its products are listed or from which its instruments are derived. T212 reviews the list of exchanges used for sourcing the Best Bid/Offers periodically in order to source the best available liquidity.

Due to the nature of online trading platforms, when a client instructs a trade via the trading platform, quotes are shown indicatively to clients. Upon receipt of the order request T212 validates the order terms (price, quantity, direction) against the live bid/offer quotes to provide execution. In the event of price slippage between the time that a client instructs a trade and its execution, T212 operates symmetric price slippage, i.e., both positive and negative slippage will be passed onto the execution price.

Where T212 receives specific instructions from a client as to how to execute an order, as is the case with limit orders, T212 will have complied with its obligation to take all sufficient steps to obtain the best possible result when executing that order by following those instructions. Specific instructions may prevent T212 from following this policy. To the extent that specific instructions do not cover every aspect of the order, as is the case with market orders, T212 will apply this Policy for those parts or aspects of the order not covered by the client's instructions.

In normal market conditions, T212 will always prioritise the price, inclusive of all associated costs (total consideration), as the highest priority in determining the best outcome for its clients. For Share Transactions, where the size and nature of the order permit this will result in T212 executing the order via its Systematic Internaliser in the first instance. Following this priority of venues, ensures that the price given to clients will in most cases be at least as good as the best Bid/Ask price of the primary exchange upon which the instrument is listed. Furthermore, T212 is able to provide immediate execution and therefore there is greater likelihood of execution and settlement. By eliminating the usual broker transaction fees (broker commission), the total consideration when executing a client's order via T212's Systematic Internaliser should always be cheaper overall than what the client would pay for this instrument with other market participants. However, T212 will continuously monitor the market and the market participants with their fee models and adjust its procedures accordingly if there are indications of a change with regard to best execution.

In case of system failures or exceptional market conditions, in rare cases it may be necessary to deviate from these execution principles. Even in these circumstances T212 will make every effort to achieve the best possible result for its clients.

12. Monitoring

T212 is required to monitor the effectiveness of its order execution arrangements and this Order Execution Policy to identify and, where appropriate, correct any deficiencies. T212 conducts regular monitoring of its performance in accordance with this policy to ensure that deficiencies are identified and corrected in a timely manner.

13. Review

T212 will assess whether the execution venues included in this Order Execution Policy provide the best possible result for our clients or whether we need to make changes to our execution arrangements. We will review our order execution arrangements and this Order Execution Policy at least annually or whenever a material change occurs that affects our ability to obtain the best result for the execution of orders on a consistent basis using the venues included in this Order Execution Policy. For the purpose of this policy, a material change shall be a significant event that could impact parameters of best execution such as, cost, price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

Such material changes will include, amongst others, consideration of the following:

- the addition or removal of Execution Venues or brokers;
- changes in products (financial instruments) or services offered by the Company;
- changes in the relative importance of best execution factors and criteria;
- material market impact;
- material change in the level of costs resulting from connection to a venue;
- development of significant new execution procedures or a change in the market model of an existing venue;
- major change to existing arrangements, such as a material change in the human or technical resources that the Company relies on to provide best execution;
- complaints in relation to a major issue noted by a client (in such case, this would not necessarily trigger review of the entire policy).

14. Fractional Shares

A fractional share is a term used to describe the purchase by an investor of a proportion of a share. An investor may accrue multiple fractions to own more than one share in aggregate. Trading Fractional Shares with T212, therefore, encompasses fractions of a share and trading in low numbers, typically one or two, of shares.

Fractions of shares are not listed on an exchange in their own nature, while the relevant share is usually listed on an exchange. Similarly, single share orders in shares may often be prohibited by some execution venues, leading to uncertainty of execution. Orders in these small sizes will therefore be executed via T212's Systematic Internaliser. Our Conflicts of Interest policy covers any issues that might arise in such a situation.

As with orders of whole size amounts, fractional orders will be executed at no worse a price than that of the reference price on the reference exchange for a whole share – as per the exchange price feeds available to T212.

15. Consent

We are required to obtain our clients prior consent to our Order Execution Policy. It will be deemed that a client has provided such prior consent when they have given us an order.

16. Status of this Policy

This policy forms part of the Trading 212 UK Ltd. Client Agreement and the Share Dealing Service Terms of Business.

17. Order types

When investing, clients can make use of several order types. Please note that the below is only applicable to the Share Dealing Service and the Stocks and Shares ISA. For the order types that you can use on the CFD service, please refer to section 11 of the Trading 212 UK Ltd Client Agreement available on our website.

Market Order - This order type will be executed immediately (or upon the next price update) at the best available market price. This order should be used if you want execution at any event. Please note that the price might change before execution, especially with less liquid financial instruments. This order type guarantees to buy or sell a financial instrument but does not guarantee the price at which it will be executed. Therefore, please use this type of order with care.

Limit Order - Using this order type you can set a minimum price (for a sell order) or a maximum price (for a buy order) for which you want to execute your Order.

Stop Order - A Stop Order is an order to buy or sell a stock once it meets the stop price predetermined by the client. When the stock hits the clients stop price, the Stop Order becomes a Market Order. It then executes the order at the best price available (or upon the next price update). Investors often place stop orders to help reduce potential losses, in case the stock moves in the wrong direction. There is the risk that short-term fluctuations in a stock's price can trigger a Stop Order resulting in a Market Order being executed.

Stop Limit Order - This type of order operates similarly to the Stop Order, however instead of generating a Market Order, upon hitting your pre-defined stop-loss limit our systems generate a Limit Order. The main advantage is that an order cannot be executed at a worse price than your limit, however, there is an additional risk that due to this limit no execution may take place at all.

18. Definitions

Execution Venue means a Regulated Market, an MTF, an OTF, a Systematic Internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the function performed by any of the foregoing.

Market hours means the time span of trading on the financial markets as indicated on the website www.trading212.com During those market hours, clients shall have the right to place orders for execution for those Financial Instruments whose exchanges are open for trading.

Multilateral Trading Facility (MTF) means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in Financial Instruments – in the system and in accordance with non-discretionary rules in a way that results in a contract in accordance with the provisions of MiFID II.

Regulated Market means a multilateral system operated and/or managed by a market operator which brings together or facilitates the bringing together of multiple third-party buying and selling interests in Financial Instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the Financial Instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of MiFID II.

Systematic Internaliser means an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF.

Organised Trading Facility (OTF) means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emissions allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with the provisions of MIFID II.