



# MARKET SECURITIES FRANCE SA

## Order Execution Policy



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**Document Control**

**Document Signoff and Revision**

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## 1. Purpose and summary of Policy

This Order Execution and OTF Policy informs you of the circumstances in which Market Securities France SA (“**MSF**”) will provide you with best execution in accordance with the second Markets in Financial Instruments Directive (MiFID II 2014/65/EU) and Autorité des Marchés Financiers (“**AMF**”) best execution and best selection rules.

This Policy should be read in conjunction with MSF Terms of Business and the Organised Trading Facility (“**OTF**”) Rulebook where applicable.

## 2. Scope of application

This Policy will apply if you have been categorised as a professional client by MSF and you give MSF an order to execute on your behalf in respect of financial instruments covered by MiFID II.

If you have been classified as an Eligible Counterparty, and in accordance with MiFID II requirements (article 24) and with article L.533-20 of the Code Monétaire et Financier (“**CMF**”), this Policy is not applicable to you.

This Policy does not apply to retail clients because MSF is not able to provide services to them. MSF will inform all clients of their classification during the account opening process and following any potential amendments.

Where references are made to the OTF Rulebook, this Policy also applies to clients that have been categorised as eligible counterparties. These provisions will only apply to instruments captured by MSF’s OTF as referred to in paragraph 5.1 below.

This policy is valid and implemented from the issue date.

## 3. Guiding principles

The guiding principles of this Policy provide that:

1. MSF operates policies and procedures that enable it to adhere to the best execution rules, protecting its reputation and financial standing.
2. MSF adheres to the rules in relation to avoiding and/or managing potential conflicts of interest.
3. MSF endeavours to ensure that all clients, regardless of classification, are treated fairly during the execution of trades.

## 4. Policy

### 4.1. What is best execution?

Best execution is the requirement to take all sufficient steps to obtain the best possible result when either executing transactions on your behalf or using third party brokers to execute transactions on your behalf.

MSF will take into consideration a variety of factors to ensure the best possible execution result is obtained for you. However, when you have given MSF a specific instruction, we will execute the order according to the specific instruction. We will still be required to take sufficient steps to achieve the best possible result in respect of any aspects of the order that fall outside those instructions. This may prevent MSF from taking the steps that MSF have designed and implemented to obtain the best possible result for the execution of your orders.

MSF's commitment to deliver best execution does not mean that MSF owes you any fiduciary obligations over and above the specific regulatory obligations placed upon MSF or as may be otherwise agreed between you and MSF

#### 4.2. Best execution obligation

MSF has a duty to ensure best execution is achieved where you legitimately rely on MSF to protect your interests in relation to the pricing or other aspects of the transaction that may be affected by how MSF executes and/or transmits the order. For example, this may be the case when MSF:

- Executes an order by dealing as riskless principal, but has a client relationship with you in relation to executing a transaction. A riskless principal transaction involves two orders, the execution of one being dependent upon the receipt or execution of the other; hence, there is no "risk" in the interdependent transactions when completed;
- Exercise discretion or "work" an order on your behalf; and
- Transmit an order to a third party for execution.

However, there are some cases where we may conclude, based on the test below, that you do not legitimately rely on MSF to protect your interests. These may include situations where we provide you, either on request or on a continuous quoting basis with a quote for the purchase or sale of a financial instrument and you decide to execute the transaction on the basis of that quote (**RFQ**).

MSF will apply a four-fold test to determine whether you legitimately rely on us for best execution. This takes into account:

- Which party initiates the transaction;
- Market practice and the existence of a convention to "shop around";
- The relative levels of price transparency within the market; and
- The information provided by MSF and any agreement reached

#### 4.3. Best execution factors

When the obligation applies, MSF is required to take sufficient steps to ensure the best possible result is obtained for its clients by taking the following execution factors into account:

1. Price – this is the price a financial instrument is executed at;
2. Costs - this includes implicit costs such as the possible market impact, explicit external costs (e.g. exchange or clearing fees) and explicit internal costs which represents MS France's own remuneration through commission or spread;
3. Speed – time it takes to execute a client transaction;
4. Likelihood of execution and settlement – the likelihood that we will be able to complete a client transaction;
5. Size of order – this is the size of the transaction executed for a client accounting for how this affects the price of the execution;
6. Nature of order – this is how the particular characteristics of a client transaction can affect how best execution is received; or
7. Any other consideration relevant to the execution of the order.

Price or market fill will ordinarily merit a high relative importance in obtaining best execution. However, in some circumstances, for some clients, orders, financial instruments or markets, MSF may reasonably determine that order execution factors are more important than price. For example, there is no formalised market or settlement infrastructure for OTC transactions. In some markets, price volatility may mean that timeliness of execution is a priority whereas, in other markets that have low liquidity, the act of execution may itself constitute best execution.

MSF will check the fairness of the price proposed to the client in a variety of ways, ensuring that the best possible outcome is achieved for the client.

In other cases, MSF's choice of execution venue may be limited (even to the fact that there may be only one market/platform upon which we can execute your orders).

In certain cases, the nature of the client order is such that the transaction is tailored to meet the client's specific needs and there are little or no comparable products available in the market from which a price and cost comparison could be made. These cases include structured products and bespoke OTC transactions. Where this occurs, MSF will assess the unique features of the transaction and the client's instructions to determine the relevant execution factors to take into account in executing your order.

MSF will determine the relative importance of the execution factors by using commercial judgement and experience in light of the market information readily available and taking into account the characteristics of execution (the **Execution Criteria**) which comprise:

- The characteristics of the client including the categorisation of the client as professional;
- The characteristics of the client order;
- The characteristics of financial instruments that are the subject of that order; and
- The characteristics of the execution venues to which that order can be directed

#### **4.4. Direct Market Access**

When you submit an order electronically through MSF's Direct Market Access (**DMA**) system, you will select the parameters of the trade (such as the price, the counterparty, the venue, the timing, the size and nature of interaction) with your selected execution venue. In such a case, MSF, while acting on your behalf in providing the DMA service, will be treated as having satisfied its duty of best execution and you will be treated as having given specific instructions for the entirety of your order by means of the DMA service.

#### **4.5. Statement of the basis of deciding execution venues**

The Policy includes, for each financial instrument in which we execute orders on your behalf, those venues that MSF considers to enable them to obtain, on a consistent basis, best execution. Such venues may include, as appropriate, for each product, Regulated Markets (**RM**), Multilateral Trading Facilities (**MTF**), the Organised Trading Facility (**OTF**), (and/or where you have express consent, MSF may execute orders on your behalf outside RMs, MTFs or the OTF) systematic internalisers and third-party investment firms. Before using a new execution venue, MSF undertakes appropriate due diligence to ensure that it is confident that it will contribute to MSF's ability to deliver best execution in accordance with each of the best execution factors. That said, in some cases, MSF accesses the market through a broker, in which case MSF undertakes its due diligence on the broker, including a consideration of the venues to which it has access. MSF monitors this on an ongoing basis, including through review and analysis of the information published pursuant to Commission Delegated Regulation (EU) 2017/575 and can verify this on an ad hoc basis.

A non-exhaustive list of execution venues is provided at Appendix 1 to this Policy. In relation to some Financial Instruments, there may be only one possible execution venue.

#### **4.6. Method of Execution**

Unless you have given MSF a specific instruction, MSF will select an execution venue that is most appropriate having regard to the Execution Criteria and the relative importance of the execution factors specific to that order.

Subject to any specific instructions, MSF will execute an order by one of the following methods or combination of methods:

- Directly to a RM or MTF, or the OTF, or where MSF is not a direct member of the relevant RM or MTF with a third party/affiliated broker;
- Outside a RM, MTF or the OTF by executing the order with a matching order of a systematic internaliser, or another client or counterparty of MSF.

#### 4.7. Client limit orders

AMF rules require unexecuted client limit orders in respect of shares admitted to trading on a regulated market or traded on a trading venue to be made public immediately unless the client expressly instructs otherwise. By consenting to this Policy, you are expressly instructing MSF NOT to make such orders public.

#### 4.8. Intermediary Selection: best selection principle

MSF may use the services of third parties that it has selected to execute your orders, under the most favourable conditions, in accordance with its obligation to act in your best interests. Indeed, when MSF provides a service of reception and transmission of orders for execution, it takes all sufficient steps to obtain the best possible result, taking into account the execution factors defined above (point 4.3), and their relative importance.

In order to comply with its legal obligations in accordance with Article 314-75 of the AMF Rulebook, MSF has established and implemented a Selection Policy of its brokers and intermediaries.

The objective of this Policy is to select brokers and intermediaries whose Execution Policy will enable them to obtain the best possible result in executing MSF clients' orders.

##### 4.8.1 Criteria for the selection of intermediaries and brokers

To meet its obligation to act in the best interests of its clients, in the case where MSF would not be a member of some markets, the company has selected other investment firms according to several factors:

- Access and significant experience on a wide range of markets
- Coherence between their execution policy and the best execution factors and criteria chosen by MSF
- Their chosen brokerage level
- Quality of payment / delivery of operations

On the basis of those elements, MSF selected several firms for the execution of its clients' orders (see Appendix 2). Each one of those firms has agreed to respect the obligations of best execution, and to respect the clients' instructions, transmitted by MSF, if need be.

##### 4.8.2 List of Third Parties

This policy identifies, for each category of instruments, the entities with which orders are placed or to which MSF transmits orders for execution. This list is included in Appendix 2. MSF regularly checks the effectiveness of the quality of execution of the entities identified in connection with this policy and, where relevant, it corrects the deficiencies ascertained.

##### 4.8.3 Regular monitoring and review of the best selection

###### (a) Control of the execution quality of the third-party firms

A control is completed by MSF Compliance, not less than annually, on a sample of orders transferred to the selected investment firms. An execution report for those orders shall be required from the firms, and an analysis of the entire execution process shall be completed according to the following criteria:

- The quality of the quotation
- The quality of the execution
- The quality of the servicing
- The speed of the handling of the order

- The respect of the instructions transmitted by MSF, if need be
- The relevance of the selected market(s)
- Review of the policy

(b) MSF's selection policy is reviewed at least annually, or every time there is a significant change to the offer of the selected investment firms likely to affect MSF's ability to constantly obtain the best result possible for the handling of its clients' orders. Such changes include:

- A significant modification of the pricing
- A reduction of the scope of securities handled
- Giving-up access to a market
- A restructuration likely to cause significant operating risks

In the case where a selected investment firm does not seem able to provide a service in accordance with MSF's criteria anymore, the relevance of the continued relationship with said firm shall be reviewed. The decisions taken within the scope of this review shall be formalized, and this policy shall be updated if need be.

Any update of this policy shall be approved by MSF's Executive Committee and Compliance Department.

## **5. Execution on the OTF**

This section relates to any executions undertaken on MSF's OTF and applies to all clients/potential clients regardless of classification (i.e. including eligible counterparties).

### **5.1. Scope of the OTF**

The financial instruments that are in scope of the OTF are:

- Bonds;
- Structured products; and
- OTC derivatives

The only instruments that are accepted on the OTF are the OTF Investments, which are classified in the OTF Rulebook.

### **5.2. Operation of the OTF**

#### **Order Discretion**

When you give us an order to buy or sell an OTF Investment, we will exercise our discretion as to whether to execute some or all of it through the OTF or by other means. We may submit some or all of your order to more than one execution venue including the OTF. However, depending on the type of financial instrument, we may not have access to another execution venue on the basis that we do not believe that they would be able to provide better execution, and therefore it is likely that we will execute through the OTF. If you have specified that you want to execute some or all of the order through the OTF, we will treat that as a specific instruction to do so. We will also exercise our discretion by deciding whether to retract some or all of your order from the OTF. We may do this if, for example, your order has been executed on another execution venue to which we submitted it, or we believe a more favourable outcome would be achieved by executing some or all of your order on another execution venue.

#### **Execution Discretion**

Where we execute your order through the OTF, we will exercise discretion by deciding whether, when and how much of your order to match with another order and on what terms at a given time. We exercise this discretion on a case by case basis taking into account a number of factors that are set out above, including



the trading interests in the system and the different execution mechanisms that are available. The execution mechanisms could include voice trading and/or use of an electronic system to help us to match orders. If you give us a specific instruction about how to execute the order, we will follow it to the extent of the instruction if we can, but we will exercise our discretion as to any parameters of the order that you have not specified.

To give an example of how we might achieve best execution, if you submit a bid, we will contact other clients of the OTF to determine whether they would be willing to offer at the price or within the range requested. In the event that there are multiple offers, our starting point is generally to match on a price/time priority basis but we will take into account any request you may make, for example to execute against a single counterparty or whether you are willing for your bid to be filled through a series of transactions. If the offers do not quite match your request or we think there is a reasonable likelihood of a better offer within a reasonable timeframe, we may continue to seek new offers and negotiate existing ones for that reason. on for that. We will ask you to confirm that you are happy with the price before we execute the transaction unless you instruct us not to do so. This process may take less or more time depending on the financial instrument and the market conditions.

Please refer the OTF Rulebook in conjunction with this Policy.

Once we have matched your order, we will enter into a transaction with each of you and the other client or liquidity provider on a matched principal basis. We will not disclose your identity to the other client or liquidity provider, nor their identity to you, and there would be no need to do so as we would be acting as counterparty to both of you. You agree that we may enter into transactions in this way. Alternatively, once we have matched your order, we may effect a transaction between you and the other client or liquidity provider so that each of you is party to the transaction and has obligations to the other. In this case, we may act as agent for one or both of you in binding you to one another, but will not ourselves be party to the transaction. In this case, we will have to disclose your details to one another.

## **6. How we achieve best execution in respect of different financial instruments and services**

We have set out above the ways in which we seek to achieve best execution generally. In Appendix 1, we set out further information about how we do so in respect of different types of financial instruments and services. To the extent there is any inconsistency between the description above and Appendix 1, the latter would take precedence.

## **7. Demonstration of best execution**

**Policy monitoring and regular review** MSF will demonstrate, upon request, your order has been executed in accordance with this Policy.

We will summarise and make public on a quarterly basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where they executed client orders in the preceding quarter and information on the quality of execution obtained.

## **8. Policy monitoring and regular review**

MSF takes all sufficient measures to implement the Policy. MSF will monitor the effectiveness of their order execution arrangements in accordance with their Policy at least once per annum and when otherwise necessary to identify and implement any appropriate enhancements. Any best execution failures will be escalated to senior management in line with MSF's escalation procedures. MSF regularly assesses the Execution

Venues, and the brokers and dealers to whom they transmit orders to identify those that enable MSF to obtain best execution. MSF will also review their order execution arrangements and Policy on a regular basis, and whenever a material change occurs either in respect of one of their chosen execution venues or otherwise that affects their ability to continue to deliver best execution. We will notify you of any material changes to our order execution arrangements or Policy if we have an ongoing relationship with you. We

may do this by publishing our Policy on our website, which can be accessed here: [www.market-securities.com](http://www.market-securities.com)

## 9. Consent

In order to do business with you, MSF require your express consent to this Policy and the specific matters relating to executing orders outside RMs and MTFs. Entering into transactions outside a trading venue involves certain risks including the fact that it may be more difficult to find a willing counterparty to your bid or offer, it may not be anonymous, there may not be as much transparency as to supply, demand or price, and the process may not involve so many automated systems, meaning that there may be greater operational risk. In addition, there may no arrangements for clearing or settlement, creating a higher degree of risk against your counterparty.

Your consent acknowledges that you have been made aware of and accept the nature, policy and processes which we have in place for providing best execution as defined above and that, in the absence of any specific instructions from you, MSF shall have full discretion to choose a relevant venue from the current list of execution venues (as amended and restated from time to time) for executing any order or orders (which may include dealing on a matched principal basis with MSF and may include trading through MSF's OTF) or alternatively to trade outside an execution venue, but in doing so shall assess and balance the range of all relevant factors, including those set out in this disclosure statement which, in MSF's reasonable discretion, is considered relevant to achieving the best results for you.

You also agree that:

- MSF may execute your orders outside a RM, MTF or the OTF as set out above;
- Unexecuted limit orders will not be made public immediately; and
- We may provide the Policy and any changes to it on our website and you have regular access to the internet.

You may confirm consent by email, or alternatively by signing and returning the document entitled M2 – Express Consent. For the non-specific matters, your tacit consent will be deemed to have been given if you ask MSF to act on your behalf.

## 10. Procedures

MSF will maintain adequate systems and controls to effectively monitor the implementation of the Policy. Where necessary, MSF will take into account the execution factors, while considering the peculiarities and features of the products and markets they operate on.

## 11 Retention and Transmission of Data

MSF records and retains data relating to its execution and selection policy. Records are retained for five years on a durable medium and are sent to you upon request. These records may also be sent to the competent authority, at its request.

In addition, MSF may need to use data reporting services providers and, in this regard, transmit data relating to transactions. Indeed, MSF may, for example, transmit such data to an approved reporting mechanism (ARM) to the competent authorities or to the ESMA. MSF may also use an Approved Publication Arrangement (APA), or a Consolidated Tape Provide (CTP) to collect trade reports on financial instrument.

## **Appendix 1 – Different asset classes and non-exhaustive list of execution venues**

### **Exchange traded derivatives**

We do not take derivatives onto our own book. Instead, we cross listed derivatives onto the exchange and/or give them up to another broker. Clients usually specify many of the aspects of these orders including importantly, the trading venue. A list of trading venues we use on this basis are set out in this Appendix.

### **OTC derivatives**

We introduce OTC derivatives, arranged multilaterally, to our OTF trading venue. OTC derivatives products executed through the OTF trading venue is conducted on a matched principal and name give-up basis. We have arrangements in place with a number of counterparties that we know are likely to be interested in particular trades. If there is more than one competing offer, we normally take the best bid or best offer. We give up OTC derivatives to swapswire. FX transactions are executed through a prime broker.

### **Cash bonds**

We execute bonds on a riskless principal basis and in most cases, we are likely to do so through our OTF, although we do list some alternative venues we may use in this Appendix. When we receive a bid or an offer, we will contact our other clients to find a fill. We will be looking for the best match in terms of price and time but we may not have many options and we could split an order between more than one counterparty if necessary. Where we find a suitable match, we will either seek your confirmation to proceed before executing or, if you have permitted us to do so, continue without further reference to you.

### **Cash equities**

MSF usually executes transactions in cash equities as agent for the client. As an investment firm, we are obliged to undertake trades in shares admitted to trading on a regulated market or traded on a trading venue on a regulated market, MTF or systematic internaliser save in certain exceptional cases. We have a Direct Market Access arrangement which gives us access to a large number of markets mentioned in this Appendix 1 and we use an algorithm to assist us in determining which will provide best execution. Price is usually the driving factor here.

### **Structured products**

These products are usually quite bespoke because they are based on clients' needs and we approach banks that we think will be willing to create and enter into them. This process sometimes takes a few days. Therefore, the likelihood of execution is one of the most important factors here. We use our OTF to execute client orders but, unlike the other products traded through the OTF, we will normally act as you agent in binding you to the transaction we have negotiated on your behalf. However, in some cases, we may enter into the transaction on a matched principal basis.

### **Repurchase agreements (repos)**

We arrange repos on a named give-up basis, meaning that we negotiate the terms of the transaction on your behalf but, once agreed, we step away and you settle directly with your counterparty.

Execution may occur on alternative execution venues from time to time, consistent with this Policy.

Listed Derivatives on Equities, Indexes and Fixed Income

Primary Market	Member	Third Party Broker
Eurex	X	
Euronext	X	
ICE Futures Europe		X
NYMEX		X
MEFF		X
SFE		X
CME		X
CBOT		X

Cash Equity/ETF

Primary Market	Member	Third Party Broker
Euronext	X	
Other exchanges		X

Repos

Primary Market	Third Party Broker
OTC Trading	X

Structured Products

MS France OTF

OTC Derivatives (Equity and Fixed Income)

MS France OTF

OTC Bonds and Money Market

MS France OTF

**Appendix 2 - Entities with which orders are placed or to which MSF transmits orders for execution**

MSF is involved in the reception and transmission of orders in respect of products listed on trading venues: equities, bonds, structured financial instruments, warrants and exchange - traded funds (ETF).

Below is a list, in alphabetical order, of those entities to which orders may be transmitted:

- Bank of America Merryl Lynch
- Citigroup
- Goldman Sachs
- Société Générale Paris

### Appendix3 - Financial Instruments under MiFID II

#### Annex 1, Section C of MiFID II (as at 03 January 2018)

1. Transferable securities
2. Money-market instruments
3. Units in collective investment undertakings
4. Options, futures, swaps, forward rate agreements, and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
6. Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or multilateral trading facility;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in C.6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).