



## PVM Execution and Order Handling Policy

May 2021

This Execution and Order Handling Policy (the “Policy”) is applicable to execution services provided to you by any of the following entities and any of their successors, together with any affiliates of them that are authorised to provide investment services and operate under the PVM brand within the UK or any other member state of the European Union/European Economic Area (“**EU/EEA**”):

PVM Oil Futures Limited; or

PVM Oil Associates Limited,

(“**PVM**”).

The Policy should be read in conjunction with the PVM Terms of Business.

### **Execution Services**

In providing execution services to you in relation to financial instruments (as set out in Annex 1), PVM may (subject always to applicable law):

- (1) arrange a transaction in the over-the-counter financial or commodities markets, which may be inside or outside of the EU/EEA;
- (2) arrange for the submission of trading interests to a trading venue for execution, which may be inside or outside of the EU/EEA;
- (3) arrange a transaction which is submitted to a trading venue for registration, which may be inside or outside of the EU/EEA;
- (4) within a PVM-operated organised trading facility (“**OTF**”), arrange and execute orders placed on that PVM OTF; or
- (5) transmit an order to another entity (which may be an affiliate of PVM) for execution in accordance with one of the methods described above.

### **Organised Trading Facilities**

The European regulatory package known as MiFID II introduced OTFs as a new type of multilateral trading venue alongside regulated markets (“RMs”) and multilateral trading facilities (“MTFs”). Details of the OTF operated by PVM are contained in the official rulebooks, which should be consulted for information on the financial instruments, other products and transaction types that are tradable within them. The operator of an OTF is required to exercise discretion in relation to the execution of orders, either when deciding to place or retract an order on the OTF and/or when deciding not to match potential orders available in the system. The exercise of discretion within PVM’s OTF is separate from the requirement to provide best execution, which is discussed in more detail in Annex 2.



## **Business Models**

PVM's execution services are provided through:

- voice broking, where brokers, supported by proprietary screens displaying historical data, analytics and real-time prices, discover price and liquidity for their clients; and
- electronic platforms.

These arrangements can be combined in hybrid broking models, which allow for the interaction of trading interests through both voice and electronic systems.

The business brokers products using two major execution methods:

- Name Passing (where a broker acts as agent and arranges a trade(s) to settle directly between counterparties or which is posted directly to a central counterparty);
- Exchange Give-Up (where a broker places an order as principal for a client on a trading venue and then "gives up" the resulting trade to the relevant client or its clearer).

## **When Best Execution Is Owed**

PVM will take sufficient steps to achieve the best overall trading result when acting as a broker in the execution or reception and transmission of orders in financial instruments and when acting as the operator of an OTF in concluding transactions in financial instruments on that OTF. This means that PVM will aim to provide "best execution" subject to and taking into account the nature of your orders, the prices available to PVM in the market, the nature of the market in question and a reasonable assessment of the relevant execution factors (which are detailed below).

PVM'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 it operates. PVM 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, what PVM knows of your own trading intentions, 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.

## **When Best Execution Is Not Owed**

Notwithstanding the intentions expressed above, PVM does not undertake to provide "best execution" in the following circumstances:

### 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/EEA rules (pursuant to Article 30 of MiFID II which disappplies the best execution obligation under Article 27 of MiFID II for Eligible Counterparties).

### Legitimate reliance

- In the wholesale Over the Counter ("OTC") derivatives and bond markets (and for the avoidance of doubt this would include derivatives in Equities, Fixed Income, Energy



and Commodities) in which PVM 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.

## **When Best Execution Is Deemed To Have Been Provided**

PVM is deemed to have provided “best execution” in the following circumstances:

### Client Instructions

- Where you provide PVM with a specific instruction in relation to your entire order, or any particular aspect of your order, including an instruction for your trade to be executed on a particular venue, PVM will execute the order in accordance with your instructions. In following your instructions, PVM will be deemed to have taken all sufficient steps to provide the best possible result for you in respect of the order, or aspect of the order, covered by your specific instructions.<sup>1</sup>

## **Clients**

PVM clients must be classified as either Eligible Counterparties or Professional Clients as defined in MiFID II and by the FCA.

Because PVM always intends to handle orders and indications of interest in an equitable and consistent manner, once a client is classified as an Eligible Counterparty for the purposes of a particular instrument, that client may not, as a matter of policy, then elect to be reclassified 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 PVM (PVM may also decline to provide a service should a reclassification be requested).

## **Execution Venues**

This Policy sets out the venues on which PVM may execute your order. It has identified those venues on which PVM most regularly seeks to execute your orders and which PVM believes offer the best prospects for achieving the best possible results for you, taking into account the execution factors detailed below. PVM is able to execute trades on your behalf on any of the following execution venues:

- any OTF operated by a TP ICAP Group company;
- regulated markets;
- (in a quasi-venue or non-venue capacity) systematic internalisers, market makers or other liquidity providers; and
- execution venues in non-EU/EEA countries that perform a similar function to any of the foregoing to which PVM may have access and which are listed in Annex 3. Please note that this list is not intended to be exhaustive and PVM reserves the right to utilise alternative execution venues.

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<sup>1</sup> Article 66(3)(f) of DA2.



When selecting the venue on which to transact, PVM will take sufficient measures to ensure that the selected venue obtains the best possible trading result for its clients, subject to the following general factors:

- In the OTC markets in which PVM operates, it can only give clients visibility to prices that have been communicated to PVM by other clients that operate in the same market, accordingly any “best outcome” will solely be within these limits;
- PVM 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;
- PVM cannot allow clients to trade in a market unless it is reasonably satisfied that the client (via an agent or otherwise) is operationally capable of settling the relevant trade;
- PVM cannot control either the cost of credit (credit premium) or credit acceptance between its clients; and
- Where PVM invites you to choose one execution venue rather than another, we will provide fair, clear and not misleading information to prevent you from choosing one execution venue rather than another on the sole basis of the price policy applied by PVM.<sup>2</sup>

In cases where PVM applies different fees depending on the execution venue, we will explain these differences to you in sufficient detail to allow you to understand the advantages and disadvantages of the choice of a particular execution venue.<sup>3</sup> Similarly, PVM will inform you of any inducements (if any) it receives from an execution venue and of the value of any monetary or non-monetary benefits it receives in circumstances where PVM charges more than one participant in a transaction.<sup>4</sup>

The execution venues on which PVM places particular reliance in meeting its best execution obligations, and the relevant factors for selecting a particular execution venue, also vary depending on the class of financial instruments to which your order relates. Please see Annex 3 for more detail on the variation that applies across the various classes of financial instruments.<sup>5</sup> This Annex also specifies in which circumstances PVM may execute an order outside a trading venue.<sup>6</sup>

PVM will publish the top five execution venues in terms of trading volumes for all executed client orders per class of financial instruments in accordance with the provisions in RTS 28 of MiFID II. This will be made available on PVM’s website.

## **Execution Factors**

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

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<sup>2</sup> Article 66(5) of DA2.

<sup>3</sup> Article 66(4) of DA2.

<sup>4</sup> Article 66(6) and (7) of DA2.

<sup>5</sup> Article 66(3)(b) and (c) of DA2.

<sup>6</sup> Article 66(3)(e) of DA2.



These execution factors in the wholesale markets in which PVM operate will include, but are not restricted to, the:

- characteristics of the client;
- size, nature and characteristics of the order;
- characteristics of the execution venue on which that order can be directed;
- likelihood and speed of execution; and
- price and costs of execution.

Please see Annex 3 for more detail on the importance PVM will likely place on each of the execution factors.

## **Order Handling**

When handling orders, our objective is to:

- ensure that executed client orders are promptly and accurately recorded and allocated; and
- carry out otherwise comparable client orders sequentially and promptly unless: (i) otherwise instructed by the client; (ii) the characteristics of the order or prevailing market conditions make this impracticable; or (iii) the interests of the client require otherwise.

## Aggregation and allocation

PVM is not permitted by the exchanges on which it transacts business to aggregate orders. Consequently, client orders will not, under any circumstance, be aggregated by PVM.

## Misuse of Information / Confidentiality

PVM will take all reasonable steps to prevent the misuse of information relating to pending client orders by any of its relevant persons. For this purpose, PVM operates barriers which limits the flow of potentially sensitive information between colleagues and different areas of the business. PVM's internal dealing rules prevent employees in possession of price sensitive information from taking advantage of that information by dealing in that product or arranging for someone else to do so.

Further details in respect of the confidentiality procedures implemented by PVM are provided in the TP ICAP Conflicts of Interest Management Policy which is available on the PVM website and which can also be obtained by contacting the client on-boarding department on [COB@tullettprebon.com](mailto:COB@tullettprebon.com).

## Monitoring and Review

PVM will monitor the effectiveness of its order execution and order handling arrangements as documented in this Policy in order to identify and, where appropriate, incorporate any required amendments to this Policy and any attendant procedures.

PVM will assess, on a regular basis, whether the execution venues included in this Policy provide for the best possible result for its clients or whether PVM needs to make changes to its execution arrangements. Such assessments will include, but will not be limited to:



- reviewing the quality of execution reports provided by those execution venues on which it places a significant reliance against other execution venues in the market; and
- when executing orders in OTC products, checking the fairness of prices proposed to clients by gathering market data used in the estimation of the price of such products.

PVM will review its order execution arrangements and this 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 this Policy.<sup>7</sup> PVM will notify you of any material changes to its order execution arrangements or this Policy as described above by posting the information on PVM's website.

### No Fiduciary Relationship

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

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<sup>7</sup> Article 66(1) of DA2.



## ANNEX 1: FINANCIAL INSTRUMENTS AS DEFINED BY MIFID II

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, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards 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 other than by reason of 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, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
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 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 other 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, OTF, or an MTF; and
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).



## ANNEX 2<sup>8</sup> - USE OF DISCRETION BY PVM IN RELATION TO OTF BUSINESS

Pursuant to Article 20(6) of MiFID II, execution of orders in an OTF will be carried out on a discretionary basis by the operator of the OTF. When carrying on OTF business, PVM uses a combination of order level and execution level discretion; namely:

- (a) when deciding to place an order into or retract an order from the OTF (**Order Level Discretion**); and/or
- (b) when deciding not to match a specific client order with other opposite orders available on the systems at a given time (**Execution Level Discretion**).

The discretion exercised in respect of OTF business will be conducted in accordance with the best execution requirements under MiFID II, when they apply, and as set out in this Policy.

The OTF supports various trading systems<sup>9</sup> through which orders or indications of interest (**Trading Interests**) can be submitted by venue users or brokers on behalf of venue users and where they can interact with other Trading Interests (as part of the matching and execution process).

The nature of the discretion exercised will depend on the combination of trading systems used for a particular market segment (or sub-segment). In particular, each of the specific trading systems will enable the relevant broker to exercise discretion in different ways.

### Order Level Discretion

Order Level Discretion may be exercised by the brokers that sit within the OTF (**Executing Brokers**). The operator of the OTF will have exercised Order Level Discretion in respect of Trading Interests whenever they have been placed in the OTF by an Executing Broker or removed from the OTF by an Executing Broker.

The operator of the OTF may establish parameters for trading by users of the OTF, which take account of the characteristics of the users and the market segment, which may be applied by the systems of the OTF to accept or reject Trading Interests. Trading Interests that are rejected will be reviewed by an Executing Broker or a person acting under their supervision.

If an Executing Broker determines at any time that a Trading Interest that has already been placed in the OTF (through any of the trading systems) should be removed, having regard to any applicable best execution requirements under MiFID II and as set out in this Policy, the Executing Broker will have discretion to reject that Trading Interest entirely or to remove the Trading Interest and, where applicable, send it to another execution venue. The availability of other execution venues will vary according to the product being traded and the extent of external liquidity, as well as any applicable best execution requirements under MiFID II and as set out in this Policy.

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<sup>8</sup> Article 20(8) of MiFID II and ESMA Q&A.

<sup>9</sup> E.g. a system following one or more of the methodologies which are described in MiFID II (Annex 1, RTS 2).





An Executing Broker may remove a Trading Interest from the OTF if, for example, the Executing Broker is aware that the venue user does not wish to be exposed to particular positions under certain market conditions. If such market conditions occur, the Executing Broker may remove that venue user's Trading Interests from the OTF.

As another example, if the speed of execution is a priority for a Trading Interest and there is greater liquidity at another venue available to the Executing Broker, the Executing Broker may remove a venue user's Trading Interest from the OTF and submit it to that other execution venue, improving the likelihood of execution.

If an Executing Broker rejects or removes a Trading Interest from the OTF, then it may be executed in accordance with any of the methods set out in this Policy.

### **Execution Level Discretion**

Execution Level Discretion may be exercised by Executing Brokers by determining that an order submitted to the OTF and matched with an opposing order in the OTF should not be executed against that other order. The Executing Broker will have regard to any applicable best execution requirements under MiFID II and as set out in this Policy. The factors that are relevant are those derived from any applicable best execution requirements under MiFID II and as set out in this Policy.

An example of the exercise of Execution Level Discretion in the OTF may include the determination that an order could be executed at a better price if it were to be broken into child orders.



## ANNEX 3 - COMMODITIES

### 1. Execution Venues

PVM has access to and places significant reliance on the following execution venues:

<b>PVM Execution Venues</b>	<b>Third Party Execution Venues</b>
<ul style="list-style-type: none"><li>• PVM Oil Futures OTF</li></ul>	<ul style="list-style-type: none"><li>• Chicago Mercantile Exchange (CME)</li><li>• European Energy Exchange (EEX)</li><li>• ICE Futures Europe</li><li>• NASDAQ</li></ul>

### 2. Weighting of Execution Factors

For Commodities, the following Execution Factors are given greater weight in descending importance:

- Price;
- Time priority;
- Likelihood of execution; and
- Speed of execution.

Costs of execution is not a major factor for Commodities.

### 3. Factors used to select Execution Venues

For Commodities, the factors used to select an execution venue are as follows:

- Type of Commodity and specification traded  
Certain commodity contracts only clear at certain venues. In such circumstances, the execution venue will be prescribed; PVM will not 'select' the execution venue.
- Client instruction and/or ability to trade/clear at a particular execution venue

### 4. Execution outside a trading venue

Whilst transactions in commodities are predominantly cleared, spot and some physically-settled instruments (not classified as financial instruments under MiFID II) will be executed off venue.<sup>10</sup> In these trade types, the broker will identify a potential transaction and having agreed its principal features (such as buyer, seller, price, timing, benchmark, indices), the broker leaves the two counterparties, who do not rely on the advice of the broker, to



conclude the transaction between themselves. The counterparties typically trading in these off-venue markets would be wholesale market participants consisting of international oil companies, oil refiners, and oil trading companies.