

Order/Best Execution Policy Of Dragon Capital (Cyprus) Limited

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Contents	
1. Purpose.....	3
2. Legal framework	3
3. General Principles of investor protection.....	4
4. Provisions for client order execution – Best execution provisions	4
5. Information provided to clients pre- and post-execution	5
6. Clients Order Execution.....	5
6.1 Clients orders handling rules	5
6.2 Venue execution	6
6.2.1 Venues for execution	6
6.2.2 Execution factors affecting venue selection	6
6.3 OTC execution	6
7. Remuneration for client order routing.....	7
8. Public disclosure of execution	7
9. Market Abuse monitoring, detection and prevention	7
10. Monitoring and update	8

1. Purpose

According to the obtained license on January 27th, 2010 and updated on September 12th, 2018 Dragon Capital (Cyprus) Limited (hereinafter – Company) is entitled to operate as a Cyprus Investment Firm and to provide the following investment services: reception and transmission of orders in relation to one or more financial instruments; execution of orders on behalf of clients; dealing on own account; investment advice; underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; placing of financial instruments without a firm commitment basis and the following ancillary services: safekeeping and administration of financial instruments, including custodianship and related services; granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction; advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings; foreign exchange services where these are connected to the provision of investment services; investment research and financial analysis or other forms; services related to underwriting.

According to the legislation in force Company must, when providing investment and ancillary services to clients, act honestly, fairly and professionally in accordance with the best interests of its clients and to provide all necessary information to the clients and potential clients in a clear, simple and not misleading manner so that they are reasonably able to understand the nature and risks of the investment service and of the specific type of financial instrument that are being offered, the costs associated with the transactions and services undertaken on behalf of the clients, execution venues where those transactions take place, and consequently, to take investment decisions on an informed basis.

The Company must take all reasonable steps to obtain, when executing orders, the best possible result for its clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

In this context Company has elaborated Order Execution Policy which aims to define, establish and implement effective arrangements for complying with the above provisions.

2. Legal framework

1. Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets; all paragraphs of Article 28 of the Law 87(I)/2017
2. Articles 24, 27 and 28 of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;
3. Delegated Regulation (EU) 2017/565 with regard to organisational requirements and operating conditions for CIFs
4. Delegated Regulation (EU) 2017/575 (RTS 27) with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions
5. Delegated Regulation (EU) 2017/576 (RTS 28) of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution.

6. Article 21 of the Directive 2004/39/EU of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC, Article 21.
7. Market Abuse Law L.102(I)/2016
8. Regulation (EU) 596/2014 Market Abuse Regulation
9. Delegated regulation (EU) (EU) 2016/957 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the appropriate arrangements, systems and procedures as well as notification templates to be used for preventing, detecting and reporting abusive practices or suspicious orders or transactions.

3. General Principals of investor protection

The Company acknowledges that appropriate information shall be provided in good time to clients or potential clients with regard to the investment firm and its services, the financial instruments and proposed investment strategies, execution venues and all costs and related charges in order to insure best investor protection practices.

The information about all costs and charges, including costs and charges in connection with the investment service and the financial instrument, which are not caused by the occurrence of underlying market risk, shall be aggregated to allow the client to understand the overall cost as well as the cumulative effect on return of the investment, and where the client so requests, an itemised breakdown shall be provided.

Such information shall be communicated to clients prior to establishing any business relations, shall be an integral part of required set of documents signed with potential client prior to establishing any business relations, shall be provided to the client on a regular basis (at least annually) and upon any changes that will be communicated in clear and sufficient manner.

The Company shall also inform the client on mechanisms for transferring to the client the fee, commission, monetary or non-monetary benefit received in relation to the provision of the investment or ancillary service, if any.

When an investment service is offered together with another service or product as part of a package or as a condition for the same agreement or package, the investment firm shall inform the client whether it is possible to buy the different components separately and shall provide for a separate evidence of the costs and charges of each component.

4. Provisions for client order execution – Best execution provisions

Where the Company executes an order on behalf of its client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs relating to execution, which shall include all expenses incurred by the client which are directly relating to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

For the purposes of delivering best possible result in accordance with the above subparagraph where there is more than one competing venue to execute an order for a financial instrument, in order to assess and compare the results for the client that would be achieved by executing the order on each of the execution venues listed in the investment firm's order execution policy that is capable of executing that order, the investment firm's own commissions and the costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment.

5. Information provided to clients pre- and post-execution

At the pre-trade stage the Company will provide appropriate information to its clients on its order execution policy. That information will explain clearly, in sufficient detail and in a way that can be easily understood by clients, how orders will be executed by the investment firm for the client.

Prior to order execution on behalf of its clients a consent of its clients to the order execution policy will be obtained by the Company. By signing Terms of Business of the Company and by using the services of the Company a clients is deemed to consent to the Order Execution Policy

At the post-trade stage following execution of a transaction on behalf of a client the Company will inform the client where the order was executed. Periodic reports include details about price, costs, speed and likelihood of execution for individual financial instruments.

6. Clients Order Execution

The Company, when providing investment and ancillary services to clients, acts honestly, fairly and professionally in accordance with the best interests of its clients and provides all necessary information to the clients and potential clients in a clear, simple and not misleading manner.

Execution of orders on behalf of the clients can be performed in any of the financial instruments listed below:

1. Transferable securities;
2. Units in collective investment undertakings.

6.1 Clients orders handling rules

The Company being authorized to execute orders on behalf of clients implemented procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders or the trading interests of the investment firm. Those procedures or arrangements shall allow for the execution of otherwise comparable client orders in accordance with the time of their reception by the investment firm.

The Company will be executing customer orders in accordance with the Order/best execution Policy, which sets customer interests as a priority and applies terms which are most favorable for the customers. The customers will be informed of any material difficulty relevant to the proper execution of orders or any issue relating with a conflict of interest promptly upon becoming aware of the difficulty or the conflict.

Upon receiving an order from the customer, in order to decide which venue to route the order for execution, either directly on Exchange, or OTC through a broker/from DCC's own position the Head of Brokerage will take into consideration the best conditions for the customers, such as price, security, costs, speed and likelihood of execution (size and nature of the transaction, transparency, liquidity), speed of settlement of the transaction.

The Head of Brokerage will monitor on a regular basis the effectiveness of the execution policy and in particular the execution quality of the execution venues identified in the policy. DCC will notify its customers of any material changes to the order execution arrangement or policy.

6.2 Venue execution

The Company, if applicable for the financial instrument and in line with best execution provision, will execute orders on behalf of its clients at trading venues.

6.2.1 Venues for execution

DCCL is able to execute orders for clients on any of the following venues:

- Ukrainian Stock Exchange
- PFTS Stock Exchange
- London stock exchange
- XETRA
- NYSE
- Warsaw Stock Exchange
- Venues, provided under best execution provision by third party service provider

These venues enable the Company to obtain on a consistent basis the best possible result for the execution of client orders.

6.2.2 Execution factors affecting venue selection

Execution venues are selected based upon the level of relevance they maintain within their particular region in addition to execution factors such as:

- price,
- security,
- associated costs,
- product breadth,
- product depth - liquidity,
- electronic access,
- speed and likelihood of execution,
- speed and likelihood of settlement.

The Company may pass orders for execution to third parties/other brokers (as defined in Terms of Business). The Company has arrangements in place that require its brokers to provide a level of best execution compatible with the best execution requirements under MiFID/MiFID II, although their approach to best execution may vary from this policy.

6.3 OTC execution

Order execution policy of the Company provides for the possibility that client orders may be executed outside a trading venue (OTC). OTC trades can be executed either from own portfolio of the Company, through other brokers/investment companies or by matching client orders

The Company informs its clients about such possibility and obtains the prior express consent of its clients before proceeding to execute their orders outside a trading venue. The Company may obtain such consent either in the form of a general agreement (signed Terms of Business of the Company) or in respect of individual transactions. Such individual transactions will be discussed with client on a separate basis.

7. Remuneration for client order routing

The Company DOES NOT/WILL NOT receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements set out in relevant legislation.

8. Public disclosure of execution

The Company summarises and makes public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where the Company executed client orders in the preceding year and information on the quality of execution obtained.

On an annual basis the Company publishes an assessment of quality of execution obtained on all venues used by the Company. This information will provide a clear picture of the execution strategies and tools used to assess the quality of execution obtained on those venues. This information will also allow clients to assess the effectiveness of the monitoring carried out by investment firms in relation to those execution venues.

Most recent reports:

https://dccl.com.cy/licenses-and-documents/execution_quality_summary_statement.html

Under current requirements set by the Law, the Company is not a Regulated Market, is not a Multilateral Trading Facility (MTF), is not an Organized Trading Facility (OTF), is not a Systematic Internaliser, is not a Market Maker, and is not an Other Liquidity Provider.

Dragon Capital (Cyprus) Limited does not act as liquidity provider/does not act similarly to market makers – it does not provide liquidity to other market participants on an on-going basis as part of its normal business activity. Company does not commit to provide liquidity on a continuous basis. Company does not regularly and consistently provide liquidity in any financial instrument and does not, under its own assessment, meet the definition of “other liquidity provider” under RTS 27. Liquidity provision is not central to the Company’s business model or trading activity.

Due to the fact that the Company selects other firms to provide order execution services, it summarises and makes public on an annual basis for each class of financial instruments the top five investment firms (brokers) in terms of trading volumes where it transmitted or placed clients orders for execution in the preceding year and information on the quality of execution obtained. This information will provide a clear picture of the execution strategies and tools used to assess the quality of execution obtained from those brokers. This information will also allow clients to assess the effectiveness of the monitoring carried out by investment firms in relation to those execution brokers.

9. Market Abuse monitoring, detection and prevention

Having assessed the scale, size and nature of its business activity, the Company implemented in its daily operations such appropriate and proportionate arrangements and systems that ensure effective and ongoing monitoring for the purpose of detecting and identifying orders and transactions that could constitute insider dealing, market manipulation including cases of attempted insider dealing or market manipulation for all orders received and transactions executed. Such arrangements and systems secure reporting of orders and transactions that could constitute insider dealing, market manipulation or attempted cases of insider dealing, market manipulation under Regulation 596/2014.

Company regularly assesses the above-mentioned arrangements and systems (at least annually) and updates them where necessary.

Arrangements and systems that ensure effective and ongoing monitoring and further reporting, where required, of orders and transactions that could constitute insider dealing, market manipulation including attempted cases are clearly documented in writing.

Company system for market abuse prevention and detection consists of 2 main components: 1). a 2-level monitoring arrangement that allows ongoing orders/transaction monitoring and 2). a reporting arrangement for further reporting where necessary.

Levels of the 2-level monitoring system are:

1. Level 1 – “Pre-trade level”. Employees of the Company professionally arranging or executing transactions are direct participants of Level 1 and include Head of Dealing on Own Account Department and Head of Brokerage Department. Involvement of Head of Dealing on Own Account Department and Head of Brokerage Department secures appropriate level of human analysis in the monitoring and detection due to their professional knowledge and practical experience in financial markets. Criteria/indicators used for monitoring and detection are based on current legislature recommendations/requirements.

All future orders/proposed transactions that successfully pass monitoring at Level 1 are inputted into “1C” system. Future orders/proposed transactions that do not pass monitoring and constitute insider dealing/market manipulation are reported as STOR using the reporting arrangement. Future orders/proposed transactions that require additional assessment are sent by Head of Dealing on Own Account Department/Head of Brokerage Department to Head of Risk management Department and Head of Compliance/AML department for further review.

2. Level 2- “Post-trade level”. Level 2 is supplemental to Level 1. Process of monitoring and detection at Level 2 is performed independently by Head of Risk management Department and Head of Compliance/AML department by means of internal, orders/transactions recording systems “1C”. Such 2-level arrangement with independent approach at each level secures additional monitoring of orders/transactions for market abuse prevention and additional control of decisions taken by Head of Dealing on Own Account Department and Head of Brokerage Department in regards market abuse prevention. Level 2 provides certain level of automation – it is capable of producing alerts in line with predefined parameters in order to allow for further analysis to be conducted.

Reporting arrangement is based on the results of pre-trade assessment of future orders/proposed transactions at Level 1 and additional post-trade assessment at Level 2 of the orders/transactions inputted in recording systems “1C” and incorporates templates set by the Delegated regulation (EU) N^o 2016/957. Reporting arrangement is based on internal tech developments, using data from “1C” system.

10. Monitoring and update

The Company monitors the effectiveness of its order execution arrangements and execution policy in order to identify and, where appropriate, correct any deficiencies. The monitoring of the effectiveness of the Company order/best execution arrangements and execution policy is performed on a daily basis by Risk manager of the Company. Every case of policy arrangements breach is reported in Execution Breach report (Annex I)

The Company assesses on a regular basis - at least annually - whether the execution venues included in the order execution policy provide for the best possible result for the client. If needed necessary changes are made to execution arrangements.

The Company will notify clients of any material changes to this order execution policy or order execution arrangements. The policy is reviewed by the Compliance officer together with senior management following recommendation from the Head of Brokerage/Senior management.