

Client Order Execution Policy

Introduction: Client Order Execution, Aggregation and Allocation

FCA principles require the firm to conduct its business with integrity and treat its customers fairly. In applying these principles to when the firm aggregates and subsequently executes an order for a customer (including an Eligible Counterparty) with an own account order or with another customer order, it must allocate the investment concerned fairly to all clients.

Client Order Execution

Further MiFID II and COBS of the FCA, China Merchants Securities (UK) Limited ('CMSUK') are required to have a client order execution policy ('policy') and to provide this policy to our clients during the on-boarding documentation process. CMSUK has obtained consent from its customers to executed trades outside a regulated market, a multilateral trading facility and an organised trading facility. Broadly speaking, clients will sign an acknowledgement letter and will consent to the execution policy at the on-boarding process. Consent will be sought from existing customers through our website.

CMSUK will take all sufficient steps to obtain the best possible result for its clients when executing orders on behalf of clients. The circumstances in which CMSUK will and will not owe our clients a duty of best execution are set out below. Where we classify a client as an eligible counterparty, the FCA's rules do not require us to provide our client with best execution and we will not do so.

Specific Instructions (CMSUK will owe our client a duty of Best Execution)

Where our clients provide us with a specific instruction as to the execution of an order, including limit orders where we act as riskless principal, we must execute the order in accordance with those specific instructions and, in doing so, we will have been deemed to have taken all sufficient steps to achieve the best possible result in relation to that order, so far as those elements of the order to which the specific instructions relate are concerned. We will however be required to provide best execution in relation to any elements of the order in relation to which specific instructions have not been given, other examples of where CMSUK 'will' owe a duty of achieving the best possible result.

Request for Quote

Where we execute trades with a client where they have requested us to quote them a one or two way price, we will not be executing an order on their behalf, so therefore will not owe them a duty of best execution when they execute that transaction on the basis of the quote we have provided (provided that CMSUK takes account of the changing market conditions, the time elapsed between the offer and acceptance of the quote and the quote is not manifestly out of date).

Quality of Execution and Execution Factors

When executing orders on behalf of our clients, CMSUK will take all sufficient steps to achieve best execution of their orders. In doing so, we will take into consideration a range of different execution factors, these factors are total consideration (meaning price of the instruments plus costs of execution), speed of execution, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

Obviously for CMSUK obtaining the best possible price (taking into account the costs associated with the execution of the order in question) for our client will be of high relative importance; however we may in some circumstances consider that other factors are more important than price in obtaining the best possible execution result. In determining whether an alternative execution factor (e.g. speed and/or likelihood of execution) should take a precedence over price we will take into account the following factors (to the extent that we are aware of the same): our client understanding and experience in the commodity futures and derivatives market; their dealing profile; the nature of the execution service they require from us; and the general and specific instructions we receive which may

determine how we execute orders for them.

Execution Venues

When executing client orders CMSUK may utilise the following venues to include

- Regulated Markets under MiFID; i.e. LME & ICE
- Multilateral Trading Facilities
- Other exchanges which are not regulated under MiFID; i.e. CME, SGX,
- CMSUK's own proprietary trading desks; i.e. OTC Base, Precious & Energy
- Third party investment firms and/or affiliates acting as a market maker
- Other sources of internal liquidity

We will normally execute orders on these execution venues. However, in exceptional circumstances, we may choose an alternative execution venue where we judge this to be in the best interests of our client in the circumstances of a particular order.

Please see our execution venues list document for further details.

Disclosure

We are required to publicly disclose on an annual basis, for each class of financial instrument, the top five execution venues where orders are executed, broken down for each class of financial instruments traded in accordance with COBS 11, Annex 1 EU CMSUK will disclose information on the execution quality obtained. This will take the form of a summary of the analysis conducted by CMSUK and the conclusions drawn from its regular monitoring of execution quality and should include at a minimum:

- An explanation of the relative importance CMSUK gave to each of the execution factors in selecting an execution venue. Where appropriate, this will be broken down by class of financial instrument.
- A description of any close links, conflicts of interest or shared ownership with any execution venue used.
- A description of any specific arrangements regarding payments, rebates, discounts or non-monetary benefits given to or received from any execution venue used.
- Where CMSUK's list of approved execution venues is changed, an explanation of the factors that led to such a change.
- An explanation of how CMSUK used any data published by execution venues under MiFID RTS 27 or brokers under MiFID RTS 28.

The Compliance Department is responsible for drafting these reports. These reports will be prepared on an annual basis, covering the calendar year (i.e. 1 January to the 31 December) and will be available on our website.

Monitoring and Review

CMSUK will monitor the effectiveness of the order execution we provide to our clients, and where appropriate, correct any deficiencies. We will review our order execution arrangements we provide to our clients at least annually or whenever a material change occurs that effects our ability to obtain the best possible result for the execution of our client orders on a consistent basis. Our updated policy will be disclosed on our website and consent from customers will be obtained.

CMSUK is required under COBS 11.2A.32R (1) to be able to demonstrate to clients, on request, that all trades have been executed in accordance with the best execution policy.

In addition, there is a further new MiFID 2 requirement (COBS 11.2A.32R (2)) that CMSUK must be able to demonstrate to the FCA, upon request, that best execution has been achieved. This requirement goes beyond just demonstration that the execution policy has been adhered to.

CMSUK considers that its best execution policy, along with the detailed monitoring of execution quality undertaken and the reports escalated to senior management, along with the RTS 28 reports (qualitative and quantitative) published annually, are sufficient to demonstrate CMSUK's adherence to its best execution policy and to demonstrate more widely that CMSUK has

taken all sufficient steps to provide best execution to its clients and that this has been delivered on a consistent basis.

Aggregation

As a rule, CMSUK should not aggregate orders if it is likely to work to the disadvantage of any of the customers. However, CMSUK has specifically disclosed in all its terms of business that the firm may aggregate customer orders with other customer orders or with own account orders and that such aggregation may, on occasions, work to their disadvantage.

When a firm aggregates and subsequently executes an order for a customer, market counterparty and own account transactions collectively, or any combination of them, it should allocate the designated investments concerned fairly to all clients.

When we aggregate a customer order with an own account order, an order from an Eligible Counterparty or with another customer order, In accordance with COBS 11.3.8 the allocation must be carried out meeting the criteria of our order allocation policy below.

Allocation

When allocating an aggregated transaction, the firm must not give unfair preference to itself or to any of those for whom it dealt. Where the aggregated total of all orders has not been completed in full, the firm must give priority to satisfying customer orders, unless it can demonstrate on reasonable grounds that without its own participation it would not have been able to execute those orders on such favourable terms, or at all.

All transactions in a series of transactions, all of which are executed within one business day may be treated as having been executed at the time of the last transaction, so long as a record of the time that each individual transaction was executed is made, such as by means of a time stamp.

However, if the transactions in a series of transactions occur over more than one business day, then the requirement for timely allocation will apply separately in relation to each business day in which any such transaction is executed.

In accordance with COBS 11.3.2 & COBS 11.3.5 - Comparable orders to be carried out separately and promptly unless impractical due to the order characteristics or market conditions or not in the interests of the client & CMSUK (and staff) must not misuse information relating to pending client orders.

Timely Allocation

Where all or part of an aggregated order has been filled, the fair allocation of the investment concerned should be completed within one business day of the transaction.