



Payward Europe Digital Solutions (CY) Limited

## Order Execution Policy

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# 1. Introduction & Scope

Following the implementation of Directive 2014/65/EU of the European Union and of the Council of 15 May 2014 on markets in financial instruments ("MiFID II") and in accordance with the Law regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets L.87(I)/2017, as amended, repealed or replaced from time to time (the "Law"), Payward Europe Digital Solutions (CY) Limited ("PEDSL") is required to take all sufficient steps to get the best possible results for its clients when receiving and transmitting orders for execution and when executing such orders.

The aim of this order execution policy (the "Policy") is to set out in sufficient detail and in an easy to understand way how we will handle the execution of our clients' orders. This Policy should be considered alongside our Terms of Service which are available at <https://eu.kraken.com/>. As a prerequisite of opening an account with PEDSL, clients must first agree to the Terms of Service. By doing so, clients also agree to this Policy, which is provided before the provision of any services. Therefore, please ensure that you have read and understood the provisions of this Policy in their entirety prior to commencing any trading with us.

## Execution Services

In providing execution services to the client in relation to financial instruments under MiFID II, PEDSL may (subject always to applicable law):

1. arrange a transaction in the over-the-counter financial 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 execution, which may be inside or outside of the EU/EEA;
4. within an operated multilateral trading facility ("MTF") and/or an organised trading facility ("OTF"), arrange and execute orders placed on that MTF and/or OTF; and/or
5. transmit an order to another entity (which may be an affiliate of PEDSL) for execution in accordance with one of the methods described above.

# 2. Best Execution framework

Under MiFID II we are required to provide clients with our order execution policy that includes information on the steps we take to obtain the best possible result for our clients, the execution venues we use, how we will handle specific client instructions, as well as the processes to monitor execution quality.

## 2.1 Best execution for exchange-traded derivatives

PEDSL has identified that, in the context of execution of exchange-traded financial instruments, an affiliated "single execution venue" approach allows it to obtain best execution for its clients on a consistent basis.

This is because:

- I. the exchange-traded financial instruments supported by PEDSL-CY are bespoke financial instruments, whose terms, underlying pricing model and benchmarks are specific to that particular financial instrument and do not therefore find an identical comparison on other execution venues. Similar financial instruments available on other execution venues may be used as an indicative reference but they are not a like-for-like replacement;
- II. without prejudice to (i) above, only a small number of venues exist in Europe or equivalent jurisdictions that meet the criteria and requirements as set out by MIFID II, any applicable level 2 measures and clarifications from relevant competent authorities for MIFID II brokers;
- III. an affiliated execution venue is more likely to offer advantages in speed and costs of execution.

PEDSL will however maintain such a choice of best execution approach under review as further explained in par. 6 below, to ensure it remains confident that such an approach continues to deliver best execution results for its clients.

## 2.2 Best execution factors

In the assessment of its compliance with best execution obligations, PEDSL will take into account the following factors, on a case by case basis:

1. Price;
2. Costs;
3. Speed;
4. Likelihood of execution and settlement;
5. Size and nature of the order;
6. Nature of the market for the product;

and any other consideration relevant to the execution of the order.

However, the relative importance of such execution factors is driven by additional criteria which are:

- (a) the characteristics of the client including the categorisation of the client as retail or professional;
- (b) the characteristics of the client order;
- (c) the characteristics of financial instruments that are the subject of that order and the availability of equivalent instruments in the market; and
- (d) the characteristics of the execution venues to which the order for that specific financial instrument can be directed.

The relative importance assigned to each of the aforesaid execution factors is as follows:

- (a) Price: High
- (b) Costs : High
- (c) Speed of execution: High

- (d) Likelihood of execution and settlement: High
- (e) Size : Medium
- (f) Nature of the market for the product: High

Accordingly, in individual circumstances and with reference to specific product groups:

- for exchange-traded products, best possible result is to be determined in terms of total consideration, representing the uniqueness of the contract price, the cost related to execution, as well as the speed and likelihood of execution;

## 2.3 Details on Execution Factors

### 2.3.1 Price

Price is often a significant factor, particularly for retail clients. PEDSL is committed to securing the best possible price for the client's order, taking into account the characteristics of the financial instruments under execution, as explained above.

PEDSL will provide to its customers:

- with respect to exchange-traded financial instruments, the prices available from such execution venue/s. Such prices are determined by the offer and demand of buyers and sellers on the market, taking into account the price of the underlying asset of such a financial instrument, which are represented by benchmark indices. The use of different benchmark indices by different execution venues will produce material differences in the price of apparently similar instruments and justify why the reference execution venue prices are not easily comparable. PEDSL will periodically review the underlying benchmark price levels for comparison with similar benchmarks to ensure it remains comfortable that its pricing quality remains satisfactory.

### 2.3.2 Costs

Due to its single venue policy for exchange-traded financial instruments, no additional execution cost will be charged by the venue for exchange-traded instruments executed by PEDSL.

The financial instruments available for trading via PEDSL reflect the inclusion of specific cost and charges, as applied by the relevant execution venue.

Full information on all costs and charges included in the cost of the financial instrument is available on <https://support.kraken.com/hc/en-us/articles/360048917612-Fee-schedule>.

PEDSL strives to maintain competitive costs and fees for the provision of its services.

### 2.3.3 Speed of Execution

Speed refers to the time it takes for an order to be reflected in the exchange order book after being placed. It is PEDSL's reasonable opinion that any execution venue outside of Payward's Group infrastructure will introduce additional latency on execution and therefore by utilising an affiliated execution venue, it will be able to achieve higher standards of speed of execution compared to a solution that relies on non-affiliated execution venues. Notwithstanding the above, PEDSL will periodically monitor its satisfaction with the speed of execution achieved.

### 2.3.4 Likelihood of Execution and Settlement

The likelihood of execution refers to the probability that the trade can be successfully completed at the desired price and volume, while the likelihood of settlement refers to the reliability that the transaction will be fulfilled by both parties. In certain markets or for certain financial instruments, liquidity constraints may make it difficult to execute trades at a specified price or volume.

The likelihood of execution depends on the availability of liquidity by the execution venues. In some cases, this factor may be the prevailing factor for execution, for example when:

- The size of the order does not meet the operating criteria of certain venues; or
- There are low levels of liquidity for the instruments.

In such cases, client order may be either rejected or partially satisfied.

With regard to the likelihood of settlement, PEDSL will periodically monitor the liquidity of its execution venue of choice to maintain its comfort that such venue supports its delivery of best execution to its clients.

### 2.3.5 Order Size

The size of the client's order can dramatically influence how it is executed. For every type of derivative order, PEDSL offers a minimum and a maximum trade size. The relevant sizes vary depending on relevant market conditions that relate to the specific underlying instrument and the overall exposures.

PEDSL aims to support execution of order sizes within its minimum and maximum trade limits, through its venue of choice and will periodically assess any negative metric in this respect.

### 2.3.6 Nature of the market

PEDSL will take into account whether the transaction is being executed on a venue which supports its price formation process with appropriate price controls mechanism, to maintain market stability and ensure fair trading practices.

Amongst these price control mechanisms, PEDSL will consider whether the execution venue has controls in place such as fat finger protection, illiquidity protection and maximum position size controls.

## 2.4 Exemptions to Best Execution

Notwithstanding the intentions expressed above, the following circumstances apply for:

Eligible Counterparties:

- If a client is classified as an Eligible Counterparty, they will not be entitled to best execution pursuant to Article 30 of MiFID II, which disappplies the best execution obligation under Article 27 of MiFID II for Eligible Counterparties.

Dealing on Own-Account:

- Generally, when PEDSL deals on its own account it would still be subject to “best execution”. However, where it provides a quote to a client and that quote would meet the obligations under Article 27(1) of MiFID II if it executed that quote at the time it was provided, then PEDSL will meet those same obligations if it executes the quote after the client accepts it, provided that, taking into account the changing market conditions and the time elapsed between the offer and acceptance of the quote, the quote is not manifestly out of date.
- Similarly, in the wholesale markets context, PEDSL will not be subject to “best execution” where there is no legitimate reliance on “best execution” by the client. This is likely to only apply in respect of sophisticated participants in wholesale markets.

## 3. Client Instructions

PEDSL will execute client instructions that are delivered in accordance with the order types supported on its platform.

Acceptance of a client instruction that goes beyond PEDSL’s standard order type is at PEDSL’s discretion and PEDSL will satisfy its best execution obligation by simply following those instructions.

This is in particular the case, where the client provides PEDSL with a specific instruction in relation to their entire order, or any particular aspect of their order, including an instruction for their trade to be executed on a particular venue, PEDSL will execute the order in accordance with their instructions. In following their instructions, PEDSL will be deemed to have taken all sufficient steps to provide the best possible result for the client in respect of the order, or aspect of the order, covered by their specific instructions.

Where a client’s specific instruction is not complete and/or comprehensive, PEDSL will ascribe any non-specified and missing components of such order in accordance with this Policy; noting though that there may be instances where PEDSL may not be able to comply with a client’s specific instruction such as when specific trading rules or other market conditions requires so. Accordingly, PEDSL reserves the right to refuse to act on a client’s specific instruction(s).

## 4. Order Handling

The placement and cancellation of orders, types of orders, and terms thereof are listed in PEDSL's Terms of Service. Clients should understand the risks associated with placing and cancelling orders, including potential market volatility and execution risk.

### Objective

When handling orders, PEDSL aims to:

- ensure that executed client orders are promptly and accurately recorded and allocated; and
- action comparable client orders sequentially and promptly unless:
  - otherwise instructed by the client;
  - the characteristics of the order or prevailing market conditions make this impracticable; or
  - the interests of the client require otherwise.
- In cases of retail clients, inform the client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

### Settlement of Orders

Where it is responsible for overseeing or arranging the settlement of an executed order, PEDSL will take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

### Misuse of Information / Confidentiality

PEDSL 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, PEDSL operates barriers which limit the flow of potentially sensitive information between colleagues and different areas of the business. PEDSL's internal dealing rules prevent employees in possession of price sensitive information from taking advantage of that information by dealing in that security or arranging for someone else to do so.

## 5. Single Execution Venue

An execution venue is the marketplace or the entity with which PEDSL places orders or to which PEDSL transmits orders for execution. PEDSL has elected a single execution venue for the purposes of executing client transactions based on best execution factors including speed of execution and cost.

Given PEDSL's product offering and bundle of services across the Kraken brand, PEDSL currently utilises a single execution venue as follows:

- (i) For futures on crypto assets, PEDSL will route orders received by clients for execution on the Multilateral Trading Facility ("MTF") venue operated by Crypto Facilities Ltd in the UK and



supervised by the Financial Conduct Authority via an existing member(s) of the MTF. PEDSL has satisfied itself that the MTF meets best execution factors by demonstrating appropriate controls (as per par. 2.4.6).

PEDSL regularly evaluates and monitors the performance of the above venue to ensure that it provides consistent and reliable execution outcomes, including on quality of execution.

## 6. Monitoring and Review

PEDSL 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.

In particular, on a semi-annual basis, PEDSL will collect data information sufficient and appropriate to assess:

- on a sampling basis, whether the pricing levels, embedded costs and speed of execution obtained for previously executed transactions do not materially differ, on a reasonable comparability basis, from the prices of similar products otherwise available on other exchanges and/or through other providers;
- on a sampling basis, whether large client orders were negatively impacted at execution stage;
- the results of the quality of execution reports (where available) and other data provided by the single venue of choice; and

PEDSL will also periodically renew its due diligence of its execution venue of choice to remain comfortable with the level of pricing controls applied by such venues and the occurrence of any material operational incident.

PEDSL 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. PEDSL will notify the client of any material changes to its order execution arrangements or this Policy as described above by posting the information on PEDSL's website.

For the purposes of this Policy, "material change" refers to a significant event that could impact the parameters of best execution or an amendment in the requirements of applicable law (including, without limitation, the Law), which may affect PEDSL's ability to continue to obtain the best possible results for its clients.

PEDSL's commitment to provide the client with "best execution" does not mean that it owes the client any fiduciary responsibilities over and above the specific regulatory obligations placed upon it or as may be otherwise contracted between PEDSL and the client. The client remains responsible for the client's own

investment decisions and PEDSL will not be responsible for any market trading loss the client suffers as a result of those decisions.

## 7. Record Keeping

Subject to and in accordance with applicable law, PEDSL may maintain records of clients transactions, including details thereof, for a minimum of 5 years or, where requested by CySEC, 7 years.

Please feel free to reach out to PEDSL at <http://support.kraken.com>, in case you have any question with regards to the matters this Policy covers.