



Kawase
Exchange

Order Execution Policy

Vs 2.0 July 2016

1. Introduction

- 1.1 Kawase - trade name of TopFX LTD (hereinafter called the “Company”), whose headquarters are at 19 Stratigou Timagia, 3rd Floor, 3107 Limassol, Cyprus is authorized and regulated by the Cyprus Securities and Exchange Commission (CySec) under license number 138/11. This Order Execution Policy sets forth KAWASE policy and execution methodology for client execution on the best terms in accordance with Markets in Financial Instruments Directive (MiFID) 2004/39/EC and the Investment Services and Activities and Regulated Markets Law of 2007 (L.144(I)/2007) as amended. This Order Execution Policy provides the procedures and methods the Company applies to ensure the prompt, fair and expeditious execution with best trade execution condition for the client.
- 1.2 Upon acceptance of a client order for securities listed on regulated markets and outside, the Company will endeavor to execute that order in accordance with the following policy, unless otherwise instructed by the client in respect to order execution.
- 1.3 This policy forms part of the Client’s agreement with the Company and therefore by entering into an agreement with the Company you are also agree to the terms of this Policy, as set out in this document.

2. Scope

- 2.1 This Order Execution Policy applies both to Retail and Professional Clients when executing transactions for the Financial Instruments provided by the Company. The Company is always the counterparty (or principal) to every trade; therefore if the Client decides to open a position in a Financial Instrument with the Company, then that open position can only be closed with the Company. The Company does not guarantee that when executing a transaction the client’s price will be more favourable than one which can be obtained elsewhere.
- 2.2 This Policy applies when the Company executes client’s orders provided that the following criteria are satisfied:
- The client has not been categorized as “eligible counterparty” for the related service / transaction
 - The client is dealing in financial instruments covered by Company’s license
 - Specific instructions given by the client do not prevent the Company from providing to the client this Policy
 - The Company did not provide the client with direct market access through an electronic interface which links only to a particular execution venue.

3. Execution Factors

- 3.1 In general all client orders will be executed in accordance with the time of their reception. All reasonable steps will be taken in order to obtain, when executing orders, the best possible result for clients taking into consideration a range of different factors as required by MiFid and the relevant local legislation. The Execution Factors that the Company will take into account when executing orders will include:
- i. Price of the financial instrument
The Company calculates its prices by reference to the price of the relevant underlying financial instrument, which it obtains from third party external reference sources. The Company reviews its third party external reference sources at least once a year, to ensure that the data obtained continue to be competitive. The Company updates its prices as frequently as the limitations of technology and communications links allow. For any given Financial Instrument the Company will quote both the higher price (ASK) at which the client can buy (go long) that Financial Instrument and the lower price (BID) at which the client can sell (go short) that Financial Instrument. The difference between the lower and the higher price of a given Financial

Instrument is the spread. “Buy Limit”, “Buy Stop” and “Stop Loss”, “Take profit for opened short positions” orders will be executed at the ASK price, and “Sell Limit”, “Sell Stop” and Stop Loss”, “Take profit for opened long positions” will be executed at the BID price. The Company will do all reasonable efforts to ensure that the Client receives the best spread and that its calculation is made with reference to a wide range of data sources and underlining price providers / liquidity providers. The Company will not quote any price outside Company’s operations time (see execution venue below) therefore no orders can be placed by the Client during that time.

ii. Re-quoting

This is the practice of providing a secondary quote to the client after an ‘instant order’ has been submitted; the client must agree to this quote before the order is executed. Kawase will requote ‘instant orders’ if the requested price originally specified by the client is not available. The secondary quote provided to the client is the next available price received by Kawase from its third party liquidity providers. Kawase does not re-quote ‘pending orders’.

iii. Slippage

At the time that an order is presented for execution, the specific price requested by the client may not be available; therefore, the order will be executed close to or a number of pips away from the client’s requested price. If the execution price is better than the price requested by the client this is referred to as ‘positive slippage’. In contrast, if the execution price is worse than the price requested by the client this is referred to as ‘negative slippage’. Please be advised that ‘slippage’ is a normal market practice and a regular feature of the foreign exchange and stock markets under conditions* such as illiquidity and volatility due to news announcements, economic events and market openings. Kawase’s automated execution software does not operate based on any individual parameters related to the execution of orders through any specific client accounts.

** Please note that this is not an exhaustive list.*

iv. Partial Fills

This is the practice of executing an order in parts if there is not enough liquidity in the market at the time in order to fill-in the full order at a specific price. Partial fills may be executed at different prices.

v. Costs

The Company does not incorporate any commissions or fees into its quoted price; nevertheless for opening positions in some financial instruments a commission or a financing fee might be applied. The fees and commissions are available in the Contracts specifications in the Company’s website. (a) Commissions may be charged either in the form of a percentage of the overall value of the trade or as fixed amount and (b) In the case of financing fees, the value of opened positions in some types of Financial Instruments is increased or reduced by a daily financing fee “swap” throughout the life of the contract. Financing fees are based on prevailing market interest rates, which may vary over time. Details of daily financing fees applied are available in the Contracts specifications in the Company’s website. In addition to the above, the following charges apply:

- a) Commission: clients shall be charged commission when trading CFDs through the Company’s Platform. Further information can be found in the Company’s website: www.kawase.com
- b) Mark-up: clients shall be charged a mark-up on spread when trading CFDs through the Company’s Platform. Further information can be found in the Company’s website: www.kawase.com

vi. Speed of execution

The Company acts as principal and not as agent on the Client’s behalf; therefore, the Company is the sole Execution Venue for the execution of the Client’s orders for the Financial Instruments provided by the Company. The Company is doing all reasonable efforts to offer a high speed of execution within the technological and telecommunication limitations and it is not responsible for the poor performance of Client’s technology, internet connection or any other resources that might result in Client’s delay in the transmission of data between the Client and the Company. This delay may result in sending to the Company out of date “market orders” which might be declined by the Company or send back to the Client a new price for approval before execution (i.e. re-quoting”).

vii. Likelihood of execution and settlement

The Company acts as principal and not as agent on the Client's behalf; therefore, the Company is the sole Execution Venue for the execution of the Client's orders for the Financial Instruments provided by the Company and all orders opened with the Company will be closed only with the Company. The Company seeks to provide Client orders with the fastest execution reasonably possible. The Company strives to execute Client's orders at the requested price. However the Company reserves the right to decline an order of any type or to offer the Client a new price for "market order" under certain market conditions such as volatile market conditions, opening gaps on trading session start moments, during news announcements, on gaps where the underline instrument has been suspended or restricted on a particular market, if there is insufficient liquidity for the execution of the specific volume at the requested price. Upon execution of the transactions the Company shall proceed to a settlement of such transactions.

viii. The size of the order

The unit measuring the transaction amount is the Lot and is different for each type of Financial Instrument. Details of the value of each Lot for a given Financial Instrument can be found in the Contracts specifications in the Company's website. The Company reserves the right to decline a Client's order if it is too large and cannot be filled by the Company.

ix. The nature of the order

The Client can place with the Company the following types of orders:

- a) **Market Order:** This is an order to buy or sell at the current market price that is available. The system automatically aggregates the volume received from third party liquidity providers and executes the 'market order' at VWAP ('Volume-Weighted Average Price') that is the average and best available price at the time of the execution. Once the 'market order' is triggered it shall be subject to the conditions described in the 'Good 'til Cancelled' section.

Good 'til Cancelled ('GTC') (= Expiry): this is an execution setting that the client may apply to 'pending orders'. The order may remain 'live' and pending for execution until such time as the order is triggered and treated as a market order or cancelled by the client.

- b) **Instant Order:** this is an order to either buy or sell at the 'ask' or 'bid' price (respectively) as it appears in the quotes flow at the time the client presents the order for execution.
- c) **Pending Order:** A pending order is an order to buy or sell a financial instrument in the future once a certain price specified by the Client is reached. The Company offers four types of pending orders. Buy Limit, Buy Stop, Sell Limit and Sell Stop. Stop Loss and/or Take profit limits can be attached to this type of order. The Client may modify an order before executed but has no right to modify or remove "Stop Loss", "Take Profit" and "Pending Order" orders if the price has reached the level of the order execution.
- d) **Stop Orders:** this is an order to buy or sell once the market reaches the 'stop price'. Once the market reaches the 'stop price' the 'stop order' is triggered and treated as a 'market order'*. If the 'stop order' is not triggered it shall remain in the system until a later date subject to the conditions described in the 'Good 'til Cancelled' section. For CFDs on FX, spot metals, equities and indices, 'stop orders' should be placed a minimum number of pips away from the current market price in order for these to be valid. Stop Orders placed within the current bid-ask spread will be automatically removed.
- e) **Stop Loss:** this is an order to minimise losses. Once the market reaches the 'stop loss price' the order is triggered and treated as a 'market order'*. If the 'stop loss' is not triggered it shall remain in the system until a later date. For CFDs on FX, spot metals, equities and indices, 'stop loss' orders should be placed a minimum number of pips away from the current market price in order for these to be valid. 'Stop Loss' orders placed within the current bid-ask spread will be automatically removed.

f) **Take Profit:** this is an order to secure profits. Once the market reaches the ‘take profit price’ the order is triggered and treated as a ‘limit order’. If the ‘take profit’ is not triggered it shall remain in the system until a later date. For CFDs on FX, spot metals, equities and indices, ‘take profit’ orders should be placed a minimum number of pips away from the current market price in order for these to be valid. ‘Take Profit’ orders placed within the current bid-ask spread will be automatically removed.

g) **NOTE:** Most of the orders shall be automatically executed by Kawase Platform as described above. But it should be noted that Kawase reserves the right, at its absolute discretion, to manually execute in whole or in part an order of 100 lots or above, for major currency pairs. The same practice applies for orders of a significant size for minor currency pairs. In addition, orders may be manually executed at the discretion of the Company in the event of a reasonable suspicion of arbitrage practices unrelated to market inefficiencies, including, but not limited to, latency arbitrage and swap arbitrage.

x. Any other relevant factors

The Company considers, but without the list being exhaustive, as relevant factors that might affect the execution of Clients Orders, fundamental announcements and unusual market conditions such as low liquidity or/and high volatility. The Company may execute at such times the orders manually which can have an impact on the price and speed the orders are executed.

The Company will take all reasonable steps to obtain the best possible result for its Clients but during times of high demand manual pricing and/or execution may cause delays in processing an order which in turn can have an impact on the price and speed at which the order is executed. Furthermore in the case of any communication or technical failure, as well as any incorrect reflection on the quotes feed, the Company reserves the right not to execute an order or change the opening and/or closing price of a particular order.

3.2 The Company will determine the relative importance of the Execution Factors by using its commercial judgment and experience in the light of the information available on the market and taking into account the Execution Criteria described below. Demonstrating best execution does not necessarily involve a transaction-by-transaction analysis, but rather involves an assessment of a record of transactions over a period indicating that overall the best results is achieved by executing orders on the client’s behalf on the Execution Venues and in the manner described in this Order Execution Policy.

3.3 In certain markets and trading situations such as “over the counter” (OTC) markets there may not be an equivalent publicly available market price for the instrument being traded. In such situations the Company will use its experience and commercial judgment to take into account all relevant information available to it and apply this Order Execution Policy with a view to achieving the best possible result in terms of the total consideration.

3.4 In some cases as a result of a system failure or otherwise the Company may have no alternative but to execute an order using a method other than the method it has selected based on this Order Execution Policy. In such cases, the Company will endeavour to execute the order on the best terms possible.

3.5 In the absence of specific client instructions in Retail client order, the Company will take into consideration all factors that will allow it to deliver the best possible result in terms of the total consideration, representing the price of the financial instrument and the costs related to execution which shall include all expenses incurred by the client which are directly related 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. Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the Retail client.

4. Execution Criteria

4.1 For determining the relative importance of the Best Execution Factors the following criteria will be taken into account:

- The characteristics of the client including the categorization of the client as retail or professional
- The characteristics of the client order
- the characteristics of financial instruments that are the subject of that order
- The characteristics of the execution venues to which that order can be directed

5. Best Execution

5.1 The Company shall take all reasonable steps to obtain the best possible result for its clients taking into account the following factors when executing Clients orders against the Firm's quoted prices. Prices, costs and currency conversion carry the highest importance when executing transactions for our clients.

5.2 Bid – Ask Spread: For any given Financial Instrument the Firm will quote two prices: the higher price (ASK) at which the client can buy (go long) that Financial Instrument, and the lower price (BID) at which the client can sell (go short) that Financial Instrument; collectively referred to as the Company's prices. The difference between the lower and the higher price of a given Financial Instrument is the spread which includes Kawase's mark-up.

5.3 Pending Orders: Such orders as Buy Limit, Buy Stop and Stop Loss/Take profit for opened short position are executed at ASK price. Such orders as Sell Limit, Sell Stop and Stop Loss/Take profit for opened long position are executed at BID price.

5.4 The Firm's price for a given Financial Instrument is calculated by reference to the price of the relevant underlying financial instrument, which the Company obtains from third party liquidity providers. The Firm updates its prices as frequently as the limitations of technology and communications links allow. The Company will not quote any price outside Firm's operations time (see execution venue below) therefore no orders can be placed by the Client during that time.

5.5 For the platform, trades prices are obtained directly from the liquidity providers through an electronic execution system. This system automatically requests a quote from a selection of liquidity providers. In conjunction with the price, the Firm quotes the available liquidity, (or 'market depth'), as obtained from its third party liquidity providers. The Firm's software will automatically aggregate all available liquidity at the best possible prices available and fill at the Volume-Weighted Average Price (V.W.A.P.)

6. Specific instructions

6.1 Where the client provides the Company with a specific instruction in relation to his/her/it order or any part of it, including selection of execution venues, the Company will execute that order in accordance with those specific instructions and, in doing so, it will have complied with its obligations to provide the best possible results to the extent that those instructions are followed.

6.2 However the Company would like to warn its clients that any specific instruction may prevent the Company from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

7. Execution Venue

7.1 Execution Venues means a regulated market or a multilateral trading facility (MTF) or a systematic internalizer or a market maker or another liquidity provider or an entity performing in a third country a function similar to any of the abovementioned, with which the Company places client's orders for execution or to which it transmits orders for execution.

- 7.2 For the purposes of orders for the financial instrument provided by the Company, the Company acts as principal and not as agent on the Client's behalf; therefore the Company is the sole Execution Venue for the execution of the Client's orders.
- 7.3 The Client acknowledges that the transactions entered into with the Company for the financial instrument provided by the Company are undertaken through the trading platform of the Company. The Orders will be executed on an 'over the counter' basis rather than on a regulated market or a Multilateral Trading Facility and the Client is exposed to a greater risk of a possible default of the counterparty (i.e. the Company). The Company reserves the right to decline the execution of an order, or to change the opening or closing price of an order in case of any technical failure of the trading platform, quote feed or any other unforeseen event. The terms and conditions and trading rules are established solely by the counterparty which in this case is the Company. The Client is obliged to close an open position of any given Financial Instruments during the opening hours of the Company's Electronic Trading Platform. The Client also has to close any position with the same counterparty with whom it was originally entered into, thus the Company.

8. Monitoring / Reviewing

- 8.1 The Company will review and monitor the effectiveness of this Order Execution Policy and arrangements to identify and, where appropriate, correct any deficiencies. It will assess, at least annually, whether the execution venues included in this Order Execution Policy enable the Company to provide the best possible result for the client's orders and whether it needs to make changes to its execution arrangements
- 8.2 Furthermore a review will also be carried out whenever a material change occurs that affects the ability of the Company to continue to obtain the best possible result for the execution of its client orders on a consistent basis using the venues included in this Order Execution Policy. The Company will not notify its clients individually of changes, other than substantial material changes to this Order Execution Policy and therefore the Client should refer from time to time to the Company website where the latest and most up to date Execution Policy will be available.

9. Prior Consent

- 9.1 When establishing a business relationship with the Client the Company is required to obtain client's prior consent to its Order Execution Policy.
- 9.2 The Company is also requires client's express prior consent in the event that their orders will be executed or transmitted for execution outside of a regulated market or multilateral trading facility ("MTF"). This Company's Order Execution Policy provides for the possibility that client's orders may be executed or transmitted for execution outside a regulated market or an MTF. The Client is informed that the Company always acts as principal (counterparty) and is the sole execution venue, which is not a regulated market or a multilateral trading facility ("MTF").
- 9.3 The Company may obtain the above consents in the form of a general agreement. The Company will treat clients who have either received the Execution Policy or agreed to receive it in any electronically format or via the internet and have accepted the Terms of Business of the Company, as Clients who have given consent to the Policy as well as given consent to the Company to execute or receive and transmit an order for execution outside a regulated market or MTF.

10. Important Information

- 10.1 There may be specific leverage limits on the instruments available. For more information please visit our website.

- 10.2 For residents of the Republic of Poland, the maximum leverage that can be applied for any instrument traded on Company's Platform is 1:100.
- 10.3 CFDs are not eligible for sale in certain jurisdictions or countries. The Policy is not directed to any jurisdiction or country where its publication, availability or distribution would be contrary to local laws or regulations, including the United States of America. The Policy does not constitute an offer, invitation or solicitation to buy or sell CFDs. It may not be reproduced or disclosed (in whole or in part) to any other person without prior written permission. The Policy is not intended to constitute the sole basis for the evaluation of the client's decision to trade in Contracts for Difference (CFDs).

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