



StoneX Financial Nigeria Limited

Best Execution Policy

**POLICY ADMINISTRATION**

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## **Best Execution Policy**

### **1. Introduction**

This document “the policy” sets out the approach taken by STONEX FINANCIAL NIGERIA LIMITED “SFN” in ensuring that the best outcome is obtained for its clients on consistent basis when executing client orders. When providing a service to clients in relation to a financial instrument(s) STONEX FINANCIAL NIGERIA LIMITED will ensure that it takes reasonable steps to achieve the best overall result for its clients.

This policy is set to meet the firm’s regulatory obligation under Section 103 of the Investment and Securities Act, 2007 and Rules 15 of the of the Rulebook of the Nigerian Stock Exchange on executing orders for clients and other related areas such as the handling and allocation of orders from multiple clients and trade record keeping.

Non-adherence to any part of this policy may result in disciplinary action including dismissal.

### **2. Policy Scope**

This Policy applies to applicable clients and instruments when executing client instructions either directly or indirectly on the Nigerian Stock Exchange, NASD, FMDQ or any other capital market trade point recognized and authorized by the Securities and Exchange Commission.

### **3. Execution Factors:**

The first execution factor to consider is the probability of execution. The priority here will be to assess which execution venues and/or brokers are capable of executing the order on the required terms. In normal market conditions, however this is a relatively straightforward exercise that will produce a range of equally ranked execution options for further consideration under the remaining execution factors. Situations where this assessment produces a very narrow range of options due to various special circumstances are considered further in the various scenarios set out below. Following this, and assuming a range of execution options exist, the highest priority factor is to obtain the best result for the client in terms of the total consideration for the trade, defined as the total price obtained minus any costs or fees. This will either be the highest total price or the lowest total price (net of costs and fees) depending on the direction of the trade. In most situations, this will be determined predominantly by the price achieved, although where the price offered by two or more execution venues or brokers are identical or within a narrow range, or cannot be reliably determined in advance, then the one with the lowest overall cost of execution will be chosen. This analysis will include the implicit costs of the trade, such as slippage and market impact.

Where the firm considers that it is able to take steps to reduce the costs of execution, and therefore improve the total consideration for the trade as defined above, then it will do so. Examples of this would include reducing the implicit costs of execution by reducing the market.

In the absence of express instructions from you, STONEX FINANCIAL NIGERIA LIMITED will take all sufficient steps when executing client orders to obtain the best possible result taking into account client's specific instructions and the following:

- a) Price and Costs: Price will be given the highest relative importance for clients taking into consideration costs incurred to ensure that the outcome does not result in a negative price impact.
- b) Speed of execution: The speed at which execution takes place is defined by liquidity and method of execution. As part of obtaining the best outcome, unless instructed otherwise, speed of execution will rank below price when considering outcomes. This is based on our aim to select venues that maximize the likelihood of order execution. Order size and instrument liquidity may impact the speed at which execution occurs. STONEX FINANCIAL NIGERIA LIMITED endeavors to ensure there is no delay in maximizing the speed of order execution.
- c) Likelihood of execution and settlement: Likelihood of execution will be used within STONEX FINANCIAL NIGERIA LIMITED venue selection process. STONEX FINANCIAL NIGERIA LIMITED will select venues across all factors defined below to ensure the best possible outcome on a consistent basis. The relevant importance of this factor is considered above that of execution speed. Likelihood of execution has a medium high relevant importance (Given the markets in which STONEX FINANCIAL NIGERIA LIMITED operate in, the risk of settlement is minimized and therefore this factor will be of low relative importance).
- d) Size, nature and characteristic of the order: Where instruments are sufficiently liquid and tradeable across competing venues, we will route orders to venues where the overall outcome will meet price and cost objective.
- e) Any other considerations relevant to the order: Where other relevant factors exist, STONEX FINANCIAL NIGERIA LIMITED will discuss the relevance you place on these, considering the above.

### **Other Considerations**

#### **Large Transactions**

Where the size of the order is large compared to the available liquidity in the market for the instrument in question, the execution criteria of 'size' will become of critical importance. This may mean that price and cost are deprioritised to an extent and that trades may be executed in a manner that prioritises achieving a higher executed quantity. STONEX FINANCIAL NIGERIA LIMITED will still make every effort to achieve the best possible price for the trade, and at the lowest cost, but this strategy may result in a worse average unit price being achieved than if a lower transaction size was settled. This process will take place within certain limits, to be determined at the time of placing the trade order, and it is unlikely that any transaction will ever be executed without any reference whatsoever to the price and cost.

**Thinly Traded Markets**

Where instruments are not fungible and/or there are limited execution venues, STONEX FINANCIAL NIGERIA LIMITED will focus on the likelihood and size of execution (and possibly speed, dependent on the external environment) to deliver best execution. For example, in thinly traded markets, where price points are not available the best result for the client may be achieved by focusing on the immediacy and likelihood of execution and settlement if only a single counterparty is willing to take the other side of the trade.

**Volatile Markets**

Where markets are seen to be particularly volatile, either across the market as a whole or in relation to the instrument that is the subject of the trade order, then the speed of execution will be escalated in importance. This is because in this situation the price could move rapidly against STONEX FINANCIAL NIGERIA LIMITED, or the liquidity could evaporate, meaning that any delay in execution could result in either a worse price being achieved, or the desired trade not being completed at all.

When the price of the relevant instrument is moving quickly, either as a result of news relating specifically to that instrument or because of wider market movement, speed of execution will usually be the priority factor. The achievement of rapid execution is achieved either through a Direct Electronic Arrangements ('DEA'), if available, or a large Broker/Counterparty known to be capable of achieving fast execution in the circumstances and in the instrument in question. Second to speed, will be successful execution, followed by the question of cost. In these circumstances, the price factor is inevitably de-prioritised.

**Short Term Trading Opportunities**

There may also be situations where the nature of the investment opportunity identified is highly time dependent. In this situation, explicit instructions may be received from the client requesting that speed of execution is given priority. Price will still usually be a high priority factor in this situation, as it will often be the potential for the price to move against STONEX FINANCIAL NIGERIA LIMITED over a short time period that results in the need to execute the trade quickly.

**Market crises**

Where there is an interruption in trading at a major exchange, or the possibility of turbulent markets due to the failure of counterparties then the likelihood of settlement may be the execution factors focused on. The management, diversification and minimisation of counterparty risk may also become a critical issue in this situation.

**Niche or specialist markets**

In the case of niche or specialist markets, the range of available execution venues or brokers that are able to complete the trade may be more limited. In addition, the geographical location, relevant experience and track record of the broker in relation to the specific instrument that is the subject of the trade order is likely to become a deciding factor. In this case, price and likelihood of execution are likely to be more important, with the importance of cost lessened as it will be necessary to use the method of execution that has the highest chance of completing the trade.

**Overseas or hard to access markets**

In relation to investments in certain overseas or otherwise hard-to-access markets, it may become necessary to select a third-party broker based on its geographic location and sector-specific expertise. In this situation, it is likely that the choice of brokers will be limited, and while STONEX FINANCIAL NIGERIA LIMITED will still focus on achieving the best possible result for the client, this situation may lead to higher costs or a wider spread being obtained than would normally be the case.

**Counterparty exposure**

On occasion, it may be necessary to alter the method of execution in order to manage the exposure for STONEX FINANCIAL NIGERIA LIMITED to a particular counterparty. This may be necessary either for general risk management purposes, as the exposure is deemed to be too concentrated, or due to a change in credit rating of a particular counterparty or other market events that require STONEX FINANCIAL NIGERIA LIMITED to reduce its exposure. This may on occasion result in a trade being executed with a counterparty other than the one that appeared to be offering the best price and cost.

<b>Financial Instrument</b>	<b>Relevant Importance</b>
<b>Equities</b>	<ol style="list-style-type: none"> <li><b>1 Price and costs;</b></li> <li><b>2 Likelihood of execution;</b></li> <li><b>3 Speed of execution;</b></li> <li><b>4 Size and nature and characteristics of the order; and</b></li> <li><b>5 Other considerations.</b></li> </ol>
<b>Fixed Income</b>	<ol style="list-style-type: none"> <li><b>1 Price and costs;</b></li> <li><b>2 Likelihood of execution;</b></li> <li><b>3 Size and nature and characteristics of the order;</b></li> <li><b>4 Speed of execution; and</b></li> <li><b>5 Other considerations.</b></li> </ol>

**4. Order Handling****Main Principles**

STONEX FINANCIAL NIGERIA LIMITED provides for the prompt, fair and expeditious execution of client orders, relative to other client orders. When carrying out client orders STONEX FINANCIAL NIGERIA LIMITED may:

- execute orders on behalf of clients; and
- transmit client orders to other entities when providing the service of receipt and transmission of orders.

**When providing STONEX FINANCIAL NIGERIA LIMITED with an order, STONEX FINANCIAL NIGERIA LIMITED will:**

- ensure that executed orders are promptly and accurately recorded and allocated;
- where orders are comparable orders handle these in a sequential and prompt manner, unless the characteristics of the order or prevailing market conditions make this impracticable, or the client instructs us otherwise; and
- orders will not be treated as comparable if they are received by different media and it is not practicable for them to be treated sequentially.

**STONEX FINANCIAL NIGERIA LIMITED will not aggregate client orders for the purpose of execution unless:**

- it is unlikely that the aggregation will result in client disadvantage;
- it has been disclosed to each client whose order is to be aggregated, that the effect of aggregation may work to its disadvantage;
- it follows our Best Execution Policy;
- if a partial execution occurs with regards to an aggregated order, STONEX FINANCIAL NIGERIA LIMITED will allocate trades in accordance with its Best Execution Policy and any supplemental guidelines from time to time;
- STONEX FINANCIAL NIGERIA LIMITED acts on a matched principal or agency capacity. As such, SFN will not generally hold trading positions. However, where a trading error has occurred, we may aggregate firm and client orders. In the event of a partial execution, client order allocation will take precedence over STONEX FINANCIAL NIGERIA LIMITED, unless, it can be demonstrated that that without allocation, the resulting execution would be detrimental to the client. In this instance, allocation will be conducted proportionately

**Equities and related securities**

Achieving best execution for Equities, the STONEX FINANCIAL NIGERIA LIMITED will seek the most favourable bid/offer price available in the market at the time of executing the trade. The trader will record the rationale for accepting the market level and make a note in the trade sheet of the trade to capture their assessment.

**Order allocation**

Where a client's order is completed in full i.e. the trader is able to buy or sell the desired quantity that the client has specified, the order should be allocated in accordance with the client's mandate. However, in some instances, the firm may combine the orders of different clients, in the same security and execute it as one trade, this is commonly referred to as aggregating orders.

The firm will aggregate orders to give its clients the benefits of efficient and cost-effective delivery of our services. By aggregating orders, the firm may also obtain more favourable execution and lower broker commissions. The fairness of a given allocation depends on the facts and circumstances

involved, including, but not limited to, the client's investment criteria, account size, and the size of the order.

### **Cross trades**

Where the Trader has two clients with opposite needs in the same security and it is in the interest of both clients to transact with each other instead of both going to the market, the Trader may cross the trade at the agreed price of the security. However, the Trader must ensure that this is not done to the advantage or detriment of either party participating in the cross. The rationale for Crossing should be fully documented and supported with relevant additional information i.e. evidence of Bid/Ask offer obtained from the market, which sufficiently allows compliance to have clear oversight of the process

## **5. Client Dispute Resolution**

The STONEX FINANCIAL NIGERIA LIMITED Complaints Management Policy shall be invoked when there is a client complaint arising from improper execution of mandates.

## **6. Review**

The Policy shall be reviewed at least biennially and whenever a material change occurs that affects our ability to continue to obtain the best results for our clients.