



## 2021 Execution Summary

The contents of this report are published to meet the requirements prescribed by Article 3(3) of Regulatory Technical Standard 28 (“RTS 28”) of MiFID/MiFIR.

### **Relative importance of the execution factors we used when assessing quality of execution**

CMC Markets has processes in place and runs reports to monitor and measure the quality of execution it delivers to clients, in real time and on a daily/monthly basis, assessing factors relevant to the achievement of best execution (listed in order of relative importance), including:

1. Price
2. Cost
3. Speed
4. Likelihood of execution

Execution quality was overseen in 2021 by the TCF and Conduct Committee<sup>1</sup>.

### **Price**

Prices shown on our platform are generated electronically using a blend of relevant underlying market prices. These prices are sourced from industry-leading data vendors where the underlying is exchange traded, and where an underlying product is predominantly traded off-exchange (OTC), as is the case with the foreign exchange market, we source price data directly from liquidity providers.

Our pricing, dealing and support teams continuously monitor data feeds and internal pricing mechanisms to ensure the quality of the price generation process. Data feeds, pricing and connectivity are assessed real time. Controls, alerts and statistics are monitored for errors and signals, such as irregular pricing, interruptions or stock suspension. Where necessary in 2021, action was taken, including exclusion of a feed from price calculations and suspension of trading in an affected instrument.

Daily best execution reports are reviewed by the trading desk and surveillance to proactively identify any client trades which may not have been deemed as having achieved the best price. Our surveillance team also performs other pricing monitoring on a retrospective basis, carrying out daily and monthly reviews to ensure consistency of pricing and execution in line with the underlying market. Irregularities found in 2021 were investigated and corrected.

### **Cost**

We understand the importance of low trading costs and the impact of costs on trade execution. We publish clear and transparent information on spread, commission and other costs a client could incur when trading our products. To keep costs low, we source the best available prices from our liquidity providers and regularly review fees from our equity and futures brokers. We review the execution performance of our brokers on a monthly basis to ensure they are providing high quality execution.

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<sup>1</sup> Committee responsible for Conduct and ‘Treating Customers Fairly’ at CMC Markets, who meet every month.



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### Speed

Time is critical in rapidly moving markets and CMC Markets processes 100% of orders instructed over the platforms we use automatically without any manual intervention, which maximises the speed of execution.

### Likelihood of Execution

CMC Markets increases the likelihood of execution in various ways, particular to each account type.

Trades placed on our Next Generation and MT4 platforms are executed against CMC Markets' own liquidity which allows us to set parameters to maximise the chance of execution. As the relationship with the underlying market is indirect, we provide a price depth ladder on our Next Generation platform which frequently shows liquidity over and above what is available in the underlying market, which improves the likelihood of execution for clients.

There may be times when we reject a Market Order as a result of the way in which you trade, for example the speed and volume at which you are trading, or as a result of an invalid price following a price check undertaken by us.

Through regular monitoring, our surveillance team ensured that the different types of orders were executed as expected, and the dealing team had oversight of execution throughout 2021.

### Counterparties/Liquidity Providers: links, payment arrangements and charges

We use several counterparties and liquidity providers and with these, we do not have any close links, common ownerships or known conflicts of interest. Our selection of counterparties and liquidity providers is based on the execution factors mentioned above as well as other considerations. These include but are not limited to the following:

- Price, costs and other execution factors<sup>2</sup> – CMC considers these factors and the quality of execution available/obtained from counterparties and liquidity providers, including by reference to published regulatory information (where and to the extent available) and as evidenced in CMC's trades with the counterparty/liquidity provider.
- Commercial terms - commissions, financing, stock borrowing costs etc. (In seeking the best commercial terms i.e. low cost, CMC's clients are taken into consideration, as where the terms obtained result in higher costs and charges to CMC, these may be passed down to clients.)
- margin rates and overall impact on liquidity
- trading limits – we review how much we are able to trade with our counterparties/liquidity providers
- breadth of coverage – execution and clearing
- flexibility of product offering
- connectivity with CMC Markets' systems
- commitment to the product offering
- broker credit ratings

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<sup>2</sup> Speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.



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CMC Markets does not have any specific arrangements in place with any execution venues, counterparties or liquidity providers regarding payments, rebates, discounts or other non-monetary benefits and does not engage in any payment for order flow.

### Client categorisation

CMC Markets provides best execution to two categories of clients: retail and professional. Our automatic order flow is not designed to treat comparable retail or professional client orders differently, but execution will vary according to account type.

### Instances where other criteria were given precedence over immediate price and cost

In 2021, when we received specific instructions from our clients then these instructions took priority over other execution factors, namely price and cost. Specific instructions could include:

- working an order in the market
- requesting a particular venue for us to execute and hedge a trade
- specifying a price with us or specifying a price to close if the market should move against the client

In such scenarios, we achieved best execution on factors not influenced by the specific instruction. There were no other instances identified where other factors took priority over price and cost.

### Use of data and tools relating to the quality of execution

Monitoring is performed pre trade, as well as on a real-time, daily and monthly basis.

#### Pre trade/real-time

As mentioned above, our pricing, dealing and support teams continuously monitor data feeds and internal pricing mechanisms to ensure the quality of the price generation process. They are alerted to any issues that occur and take action as required.

#### Daily monitoring

Daily best execution reports are reviewed by the trading desk and surveillance to proactively identify any client trades which may not have been deemed as having achieved the best price. On a daily basis, our surveillance team also monitor execution prices against the price at the time of trade placement. They also compare execution prices to the underlying market at the time of the trade for consistency. Manual executions are monitored for errors and corrections are made where necessary.

#### Monthly reporting

Every month, a report is produced which outlines findings on the following:

- execution of different order types
- comparison of execution price with underlying data
- monitoring of spreads throughout the month
- monitoring of slippage throughout the month
- monitoring of manual executions
- sample checking of trades to ensure execution is as expected



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Any findings are presented to the CMC Markets' TCF committee who meet on a monthly basis and action is taken as appropriate to address any issues.

### **Use of output of a consolidated tape provider**

CMC Markets did not use output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU in 2021.