

2017 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, including:

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

Execution quality was overseen in 2017 by the TCF committee¹.

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 2017, action was taken, including exclusion of a feed from price calculations and suspension of trading in an affected instrument.

Surveillance teams monitor pricing 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 2017 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. In 2017, we reviewed our FX brokers and data providers and made changes to arrangements where we believed this would benefit our clients.

¹ Committee responsible for Conduct and ‘Treating Customers Fairly’ at CMC Markets

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 raises the likelihood of execution in various ways, particular to each account type.

Our CFD Direct and Prime FX platforms send trade orders through SOR technology accessing regulated exchanges, SIs, MTFs, OTFs, lit and dark venues to maximise available liquidity and therefore, the likelihood of execution.

Trades placed on our Next Generation platform 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 which frequently shows liquidity over and above what is available in the underlying market, which improves the likelihood of execution for clients.

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 2017.

Execution venues: links, payment arrangements and changes

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

- quality of execution – we review the quality of execution available or obtained from counterparties, looking at published information (where available) and reviewing CMC Markets' previous trades with the counterparty
- costs – we review commissions, financing and stock borrowing costs to obtain the best commercial terms to ensure we can pass low costs down to our clients
- margin rates and overall impact on liquidity
- trading limits – we review how much we are able to trade with our counterparties
- breadth of coverage – execution and clearing
- flexibility of product offering
- connectivity with CMC Markets' systems
- commitment to the product offering
- broker credit ratings.

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

CMC introduced a new FX and bullion liquidity provider in 2017 to improve prices and access to liquidity for gold and silver in particular.

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 2017, when we received specific instructions from our clients then these instructions took priority over other execution factors, namely price and cost. Specific instructions included:

- 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

On a daily basis, our surveillance team 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. Any manual execution is 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.

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 2017.