

## INTRODUCTION

IG Index Limited and IG Markets Limited ('IG', 'we', 'our' or 'us') is committed to treating our clients ('you', 'your', 'yours') honestly, transacting with you in a professional and transparent manner, and to act in your best interests whether opening or closing bets, CFDs, when buying or selling instruments on your behalf through our Share Dealing account, or when managing your investments through a Smart Portfolio account.

More specifically, when we enter into a bet or a CFD with you (each, a 'Contract'), or we buy or sell an instrument (each, a 'Transaction') on your behalf either through our execution only Share Dealing account or through our managed Smart Portfolio accounts, we have a duty to provide you with 'best execution'. Best execution means that we must take all sufficient steps to obtain the best possible result for you when executing an order with you or on your behalf, taking into account various 'execution criteria'.

This document provides a summary of our Order Execution Policy which applies to IG's execution of orders in all types of financial instruments on behalf of retail and professional clients. It applies from 3 January 2018.

This disclosure statement forms part of our terms of business. Therefore, by agreeing to the terms of the applicable Customer Agreement, you are also providing consent to the terms of our Order Execution Policy, as summarised in this document.

## ORDER HANDLING AND TRADING DETAILS FOR EXECUTION ONLY SERVICES

Information regarding how we handle orders can be found within the Customer Agreement (CFD and Spread betting agreement Clause 12, Share Dealing agreement Clause 4, 6 and 9).

Full details of the trading conditions for types of spread bets, CFDs and products available through a Share Dealing account are available through the 'Product Details' section on our website and within our trading platform.

## HOW DO WE COMPLY WITH OUR DUTY TO GIVE YOU BEST EXECUTION?

When we enter into Contracts with you, or execute Transactions on your behalf, we will take all sufficient steps to achieve the best possible result for you by executing those Contracts or Transactions according to our order execution policy and subject to any specific instructions received from you. Our order execution policy comprises a set of procedures that are designed to obtain the best possible execution result for you subject to and taking into account (a) the nature of your Contracts or Transactions, (b) the priorities you have identified to us in relation to entering into those Contracts or Transactions, and (c) the practices relating to the market in question, with the aim of producing a result which provides, in our view, the best balance across a range of sometimes conflicting factors.

## WHAT WE CONSIDER IN DETERMINING WHETHER WE OBTAIN BEST EXECUTION FOR YOU

We have determined, that the order of importance of the execution factors is the same across all IG products and markets; that for all retail clients the best possible result will be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution.

In determining the importance given to the other factors (speed, likelihood of execution and settlement, the size and nature of the order) we will exercise our discretion in assessing the criteria that we need to take into account to provide clients with the best result. The relative importance of these criteria will be judged in line with our commercial experience and with reference to market conditions including the need for timely execution, availability of price improvement, the liquidity of the market and size of your order (which may make it difficult to execute an order) and the potential impact on total consideration. In certain circumstances therefore IG may determine that the speed, and likelihood of execution and settlement for example may take precedence over immediate price and cost factors if they are instrumental in delivering the best possible result. This may be the case for example for large client orders in illiquid shares or when a stop has been triggered.

## IN RELATION TO SPREAD BETS AND CFDs

In relation to Contracts that you enter into with us, we act as principal and not as agent on your behalf and we therefore act as the sole execution venue for the execution of your Contracts. This means that we will act as market maker and you will be dealing with us and not within the underlying market.

The main way in which we will ensure that you obtain best execution is by ensuring that in the calculation of our bid/offer prices used to execute your Contracts, we pay due regard to the market price for the underlying reference product to which your Contract relates. We have access to a number of different data sources in order to ascertain the market price, which is our objective view of the bids and offers available to arms' length traders. More information can be found in the Execution Venues section below.

In relation to some financial instruments, at the time at which you give us an order there may be no functioning or open market or exchange on which the reference product is traded. In such cases, we set out to determine a fair underlying two-way price based on a number of factors such as price movements on associated markets, other market influences and client trading flow.

## IN RELATION TO OUR SHARE DEALING ACCOUNT AND SMART PORTFOLIO ACCOUNT

In relation to Transactions executed on your behalf, except where indicated otherwise in a Statement (our confirmation of your Transactions) that we send you, we will act on your behalf to execute your instructions to deal in the underlying market as principal.

## EXECUTION VENUES

Whilst we act as principal in respect of your orders, we assess the venues available to us for the pricing and hedging of your Contracts and the execution of your Transactions. We view that price and costs for clients are the most important factors in our choice of venue, but we will also take into account how each of the other execution factors are affected for example, speed of processing and likelihood of order acceptance in a variety of markets and order types. The financial soundness and order execution policies of any counterparty or venue are also considered.

In respect of CFDs and spread bets we will seek to manage our risk as market maker and may choose whether to hedge part or all of your Contracts in the underlying market. We believe this approach is likely to result in reduced execution costs and market price impact for our clients overall. Where hedging in the underlying market is required this may affect the price of the Contract that IG enters into with you, taking into account the prevailing market prices available to IG.

In respect of Transactions executed on a Share Dealing or Smart Portfolio account execution in stocks and Exchange Traded Funds 'ETFs' can be effected 'on exchange' or 'at quote'. 'At quote', or 'request for quote', as it is often called is available for UK shares and ETFs and allows for price quoting by London Stock Exchange member firms or Retail Service Providers ('RSPs') and bilateral settlement.

For some UK stocks, typically small and micro caps, this 'request for quote' methodology of execution is the only one available for electronic execution.

Settlement and counterparty credit risk exist in this method of execution. This means you could experience delays in settlement as well as non-delivery where the counterparty is unable to meet its obligations because of market structure deficiencies or insolvency.

For the avoidance of doubt our Order Execution Policy means that we may execute your Transactions and will execute your Contracts outside a regulated market or an MTF. Whilst this approach allows us to consistently source the best price for your orders it brings with it a greater counterparty and settlement risk compared to trading on exchange. Further information is provided within our Risk Disclosure Notice in relation to these risks.

The venues we deem allow us to obtain on a consistent basis the best possible result for the execution of your orders are subject to change as we see fit and shall include amongst others regulated markets, multilateral trading facilities ('MTFs'), market makers (e.g. RSPs), executing brokers and other liquidity providers. A non-exhaustive list of the execution venues upon which we place significant reliance is available on the Order Execution Policy page of our website and may be updated from time to time.

## WHAT WE CONSIDER IN DETERMINING WHETHER WE OBTAIN BEST EXECUTION FOR YOU (CONTINUED)

### PROFESSIONAL CLIENTS

If we have expressly categorised you as a Professional client in accordance with the meaning given to this term in the Financial Conduct Authority ('FCA') Rules, we will consider relevant FCA and European Securities and Markets Authority ('ESMA') guidance to determine whether we are acting on your behalf and whether you are legitimately relying on us to deliver best execution in relation to your order. This includes our consideration of: i) who initiates the transaction; ii) Questions of market practice and the existence of a convention to 'shop around'; iii) The relative levels of price transparency within a market; and iv) The information provided by IG and any agreement reached.

We recognise that you will be relying on us to provide best execution and we will therefore execute your order in line with this policy. In certain circumstances our determination of the relative importance of the execution factors may differ from retail clients including for example where the likelihood of execution may take precedence over price.

### IG ORDER FLOW FOR ELECTRONIC OVER THE COUNTER "OTC" ORDERS

IG's order flow logic is designed to maximise the chance of your order being accepted, while keeping you in control of the most important execution factor – price.

IG will process 100% of your active<sup>(1)</sup> orders without any manual intervention. IG's order flow, is designed to auto-accept client orders without referencing our exposure and without referencing liquidity in the underlying markets as much as possible. Not referencing IG's exposure, nor interacting with the underlying market, reduces the cost to our clients – as IG are not passing on 'price-impact' of our client's order to the market and improves the likelihood of execution. Where deemed necessary, for example in the case of large orders or as determined by IG's risk appetite part, or all, of the order may be worked in the market and the underlying fill level passed to the client.

You have the ability to set an aggressive limit price ('points through current') and to accept partial fills – both of these features are designed to increase the likelihood of execution. IG will only ever partially fill an order as an alternative to an outright rejection. We will never partially fill your order as an alternative to filling it in its entirety.

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### AGGREGATION

Aggregation means that we may combine your instruction to deal or invest, (for example, an instruction to close a Contract in relation to a Non-guaranteed Stop or to execute a Transaction on your behalf on an execution only or managed basis) with those of other clients of ours. In respect of OTC orders we may also aggregate your orders with our own orders for the purposes of hedging other client activity, for execution as a single order.

We will pursue this policy where we reasonably believe that it is in the overall best interests of our clients to do so. This means that whilst it is unlikely to work overall to your disadvantage, on occasions, aggregation may result in you obtaining a less favourable price in relation to a particular order once your instruction to close a Contract or for us to execute a Transaction on your behalf has been conducted.

The reason IG may sometimes aggregate orders is that it reduces the time it takes to get all orders to market. For example, the execution of many small orders one at a time could 'signal' to the market that this pattern may continue which may result in IG clients getting worse fills than if IG sent one, single order to the market. This may be particularly important in illiquid, quote driven or fast moving markets.

In respect of Smart Portfolios, IG may regularly aggregate your orders with those of other clients in order to improve the price achieved. This may be done when rebalancing your Portfolio or when handling your instructions to invest. This means we may match your order with an opposing order of another client of ours. To ensure you receive the best possible result we will seek to execute both orders at a mid-market price, rather than execute on an exchange or trading venue at a less favourable price.

(1) An 'active' order is where you give us an instruction to execute an order immediately. As opposed to 'passive' orders where you give us an instruction to execute an order later, subject to the price moving to a specific level

IG is a trading name of IG Markets Limited and IG Index Limited.

Share Dealing services, Smart Portfolio discretionary management services and CFDs provided by IG Markets Limited, spread betting provided by IG Index Limited.

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## ORDER ALLOCATION POLICY

Where an aggregated order is partially filled in the market, allocation to clients will be distributed proportionately across all clients. In all instances, the allocation will be undertaken on a fair and reasonable basis with reference to factors such as order type, price and volume where it may not be practical or deemed fair in our view to fill orders proportionately, for example, in the case of de minimis orders. In this way we shall ensure that allocation will not be undertaken in a way which gives unfair precedence to any particular person.

Whilst not usually the case, in the event that your OTC order is aggregated with orders arising from IG's hedging activities we shall allocate your orders in priority to ours. If however, we are able to demonstrate on reasonable grounds that the aggregation of your order with ours allowed the execution on more advantageous terms, or indeed at all, then we may allocate the orders proportionally.

On rare occasions and only where we believe that it will not be detrimental to you, we may re-allocate your orders. We consider that in this context detriment would be caused if as an effect of the reallocation, unfair precedence is given to IG or to any particular client.

When IG aggregates orders relating to Smart Portfolios, price allocation will be conducted fairly across all client accounts. This means that your execution price will at all times be proportionally derived from the mid-price for the part of your order we are able to match internally and the market price for the balance executed on the market.

### SPECIFIC INSTRUCTIONS

Where you give us specific instructions, including but not limited to (a) specifying a venue where you wish a Transaction to be executed, (b) specifying the price of a CFD contract with us (for example, through the use of a direct dealing platform such as L2), (c) specifying the price at which a CFD contract is to be closed if the market moves against you (e.g. a Limited Risk Transaction), or (d) for us to 'work' an order, then those instructions take precedence over other aspects of our policy. IG will continue to apply the policy for the aspects of an order not affected by the specific instructions.

A transaction for which a Limited Risk Stop has been set will be closed at the level of the Stop if the price is reached. However, if a Non-guaranteed Stop has been set, the price attained may be less favourable than the level at which you set the Non-guaranteed Stop, or at which it is triggered.

As IG provides a discretionary management service in respect of IG Smart Portfolios, we will make all investment and execution decisions on your behalf and will be unable to accept specific instructions which concern the execution of your orders.

### MONITORING AND REVIEW

IG will monitor the effectiveness of our order execution policy. We will assess on a regular basis whether the price feed and hedging venues relied on in pricing our products allow us to achieve best execution on a consistent basis or whether we need to make changes to our execution arrangements. We will also review our order execution arrangements and order execution policies regularly whenever a material change occurs either in respect of one of our chosen pricing venues or otherwise that affects our ability to continue to achieve best execution. Should there be any material changes to our order execution arrangements or order execution policy, we will notify you of such change.

IG has a rigorous governance process in place to oversee Best Execution which includes the monthly distribution of data on the execution quality of the IG Group to a "Best Execution Committee". In particular, this data will demonstrate the quality of execution relating to the execution factors deemed important by IG.

### WE DO NOT OWE YOU A FIDUCIARY DUTY

Our commitment to provide you with 'best execution' does not mean that we owe you any fiduciary responsibilities in respect of order execution over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us.