

MFEX Group

Order handling and execution of orders

Including aspect of order aggregation

Applicable to all staff of MFEX Group



MFEXby**Euroclear**

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1. Introduction

This Policy (“Policy”) describes the process in, which MFEX AB, its subsidiaries and branches, hereafter collectively referred to as “MFEX” complies with in order to meet its obligations, in the area of order handling and execution of order.

Best execution means the obligation to take all reasonable measures to ensure the best possible result for the client when executing on said order. MFEX is taking appropriate measures in accordance with this Policy to achieve the best possible result for its clients. Even though the process described in this Policy is expected to achieve the best possible result, as described below, there is no guarantee that it will be achieved in all circumstances and for each individual transaction.

When the client signs a trading agreement and asks MFEX to engage in a transaction, the client consents to the transaction being processed according to this Policy. The same order can be executed in parts by using one of the methods described in this Policy. The Policy shall be shared with the clients pre-contractually.

If any substantial changes are made in this Policy or in the systems, MFEX shall notify its clients. MFEX will publish the latest version of this Policy on its website.

2. Legal and Regulatory Framework

The legal entities, composing MFEX Group are regulated by several local requirements cascading from the Mifid II regulation. Each location in scope of this Policy shall ensure compliance with these requirements set out in the following EU Directives and Guidelines and other legislation relevant in each MFEX location:

The regulatory framework includes (but is not limited to):

- Article 27 - Obligation to execute orders on terms most favourable to the client in Directive 2014/65/EU¹.
- Article 28 - Client order handling rules in Directive 2014/65/EU².
- Article 30 - Transactions executed with eligible counterparties in Directive 2014/65/EU³.
- Article 66 - Execution policy in Commission Delegated Regulation (EU) 2017/565.⁴
- Article 67 - Client order handling (general principles) in Commission Delegated Regulation (EU) 2017/565.⁵
- Article 68 - Aggregation and allocation of orders in Commission Delegated Regulation (EU) 2017/565.⁶
- Chapter 9, 8 §, 33-38§, Swedish securities act (Lag (2007:528) om värdepappersmarknaden)

3. Scope

The principles laid down in this Policy apply to all MFEX entities involved in trading and custody activity. This includes the regulated entities and the once performing back-office services connected with the regulated entities. This policy shall be stored and made available for all staff.

¹ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments.

² ibis

³ ibis

⁴ Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

⁵ ibis

⁶ ibis

4. Responsibility and organization

The approval process as defined in this Policy lays down the rights and obligation of all relevant parties as well as the conditions to be fulfilled for approval.

4.1 Board of directors

It is the responsibility of the Board to ensure that MFEX has a relevant and updated Policy for Order handling and execution of orders. The Board shall review this Policy annually, or more often if needed.

4.2 CEO

It is the responsibility of the CEOs to inform all employees about the content of this Policy. The CEO shall ensure that the Policy is presented to the Board for review at least annually, or more often, if needed.

4.3 Control functions

The Compliance function is assigned as Document Owner of this Policy and is responsible to review the compliance with applicable rules and regulations regarding order handling and execution of orders.

This Policy adequacy and effectiveness shall be reviewed on a yearly basis, also considering potential changes required by new/changed local or European legislation.

4.4 Stakeholders

The stakeholder to this policy is Operations (trading, custody, transfers and corporate action), product (GFX) and legal. The stakeholder shall implement first line controls to assure compliance with this policy and is responsible to review if the operational set up is performing as intended.

The effectiveness of this policy shall be examined periodically and whenever a significant change affects order execution by MFEX. The relevant teams who execute client orders are required to monitor the effectiveness of the order execution arrangements and execution policy to identify and, where appropriate, correct any deficiencies.

5. Principles of execution of orders

MFEX must take all reasonable steps to ensure the best possible result for its clients, taking into account the following factors: price, cost of execution, speed, likelihood of execution and settlement, size and nature of the order, and any other relevant factors.

MFEX has an obligation to implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders or the trading interests of the Company. The procedures and arrangements shall allow for the execution of otherwise comparable client orders in accordance with the time of their reception by the Company.

The regulation requires that the venues of trading (places), companies to which the orders are forwarded and the processes for execution of orders as well as the results of the order execution will be reviewed regularly to ensure the best possible result for the MFEX clients. MFEX is required to periodically check the appropriateness of its selection of third parties. Transfer agents/brokers are not considered to be a third party due to MFEX inability to select them.

MFEX does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements because Fund shares is not traded on a trading venue or an execution venue. The Transfers agents do not remunerate MFEX in any way and therefore no interest of conflict accrue in this aspect.

MFEX shall not accept any remuneration, discount or non-monetary benefit for routing a client's order to a particular execution venue/trading venue/Transfer agent/broker which could trigger a conflict of interest or inducements.

6. Order handling

6.1 Clients

MFEX informs every client about this Policy and the MiFID categorization that will be applicable to them (eligible counterparty, professional client, each being defined in the MiFID directive and in the client categorization policy).

MFEX client base is a mainly consistent of eligible counterparties and a few professional clients. As presented in Mifid II article 30, Investment firms authorized to execute orders on behalf of clients, and/or to receive and transmit orders have the possibility of bringing about or entering into transactions with eligible counterparties without being obliged to comply with Article 27 and Article 28(1), in respect of those transactions or in respect of any ancillary service directly relating to those transactions.

This would mean that for majority of MFEX clients, has limited regulatory requirements when it comes to order handling and execution of order. In order to have a harmonized approach, MFEX has decided to comply on a voluntary basis with Article 27 and Article 28(1) (and associated level 2 regulation) for eligible counterparties.

6.2. Financial instruments

MFEX only executes orders in Mutual Funds, Alternative Investment Funds and ELTIFs. It is worth noting that ensuring "Best Execution" does not mean that MFEX has to obtain the best possible result for each individual order; but that MFEX must be in a position to prove, upon request, that orders have been executed in compliance with this Policy, which aim to obtaining on a consistent basis the best possible result for the client.

The Policy applies to:

- Orders for subscription/redemption/Switch in/switch out/ Transfer free of payment of shares/units of funds where settlement is preformed via Transfer Agents and in some cases sub-custodians.
- Corporate actions that require a client order.

6.3. Specific instruction

If a client instructs MFEX to execute an order or part of an order in a specific way, the order will be executed according to that instruction as long as MFEX has the capacity to process it and it respects the regulatory requirements and the market practices. In accordance with MiFID delegated regulation, MFEX may in this case be unable to follow the procedures described in this Policy and can therefore not guarantee the best possible result for the client. In that event, the instruction given by the Client supersedes any provision of this policy. The execution will still be processed according to the best possible result given the circumstances.

6.4. Accepted channels

Client orders as part of reception/transmission of orders and execution of orders for third parties must be transmitted via the following channels:

- Trading Web
- SWIFT
- SFTP
- Salesforce case for Switches

All Sub-Distributor orders are received electronically. Order methods available are SWIFT, Web service, file (SFTP) or trading web and are pre-defined in advance with each Sub-Distributor at implementation or if methods are changed.

Order taking via any channel other than those mentioned above is subject to exceptions. Any occasional or permanent exception to these channels must be agreed upon contractually in advance. In extra ordinary cases where the acceptable channels are not functioning as intended, orders can be received through email but there needs to be two authorized managers (part of clients ALS) to sign off from the Clients side.

MFEX does not process any order via Phone. The Client is informed that their conversations and emails are recorded and kept by MFEX and can be communicated upon request.

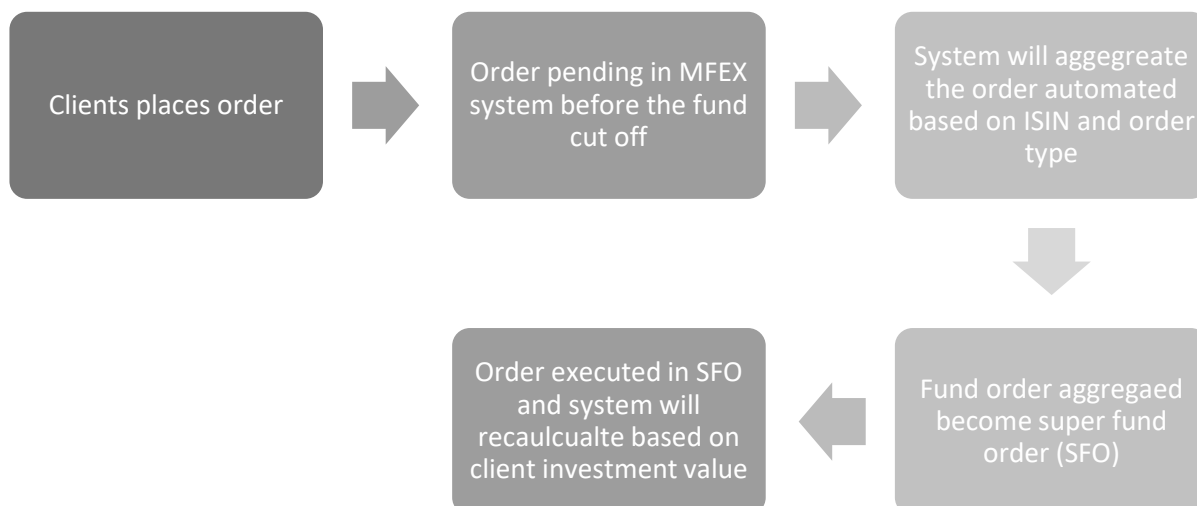
6.5 Client order handling - aggregation

MFEX shall not carry out a client order in aggregation with another client order unless the following conditions are met:

- a) it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
- b) it is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order.

Each Distributor has upon becoming a client with MFEX decided if they want to have their placed orders included in a single or in multiple order jobs.

All client orders received before the contractual cut-off time for each fund are aggregated according to category (buy amount, sell amount, buy shares and sell shares - note that the categories themselves are not netted). The result from this aggregation process further ensures equal treatment of all clients. MFEX executes the order in its own name, as nominee for its clients, and holds the fund units with the fund's registrar (or the third-party custodian).



MFEX reserves the right to send an individual un-aggregated order to the Transfer Agent or Broker where it deems necessary, for example in the case of a very large order in order to minimise execution risk.

7. Execution

Orders are executed at Net Asset Value (NAV) determined by the Transfer Agent. When receiving order, MFEX will determine the sole appropriate Transfer Agent. The Transfer agent is not chosen by MFEX and therefore there are no selection process.

When carrying out client orders MFEX need to:

- a) ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated.
- b) carry out otherwise comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

Where MFEX is responsible for overseeing or arranging the settlement of an executed order, it shall take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

MFEX shall not misuse information relating to pending client orders and shall take all reasonable steps to prevent the misuse of such information by any of its relevant persons.

7.1 Place of execution

Orders are placed directly with the fund's official registrar (as designated in the fund prospectus), which can be the fund company itself, or an external, designated transfer agent.

MFEX aims to execute the order directly with the fund's official registrar, which in turn means that the fund units are held in MFEX's nominee account at the official registrar. In certain rare circumstances, however, it is not possible to trade and hold the units directly with the official

registrar. In such cases, MFEX places orders through, and holds the units with, a third-party broker/custodian, selected in accordance with the factors listed in the aforementioned paragraph, “various factors of importance when executing an order.”

A third-party broker/custodian is for example usually required where the mutual fund is traded on an exchange. MFEX shall inform its clients of where the order has been executed.

7.2 Various factors of importance when executing an order

MFEX needs to take all sufficient steps to obtain the best result possible for its clients when executing orders. When executing client orders, MFEX is taking into account the following factors:

- The price and the costs of order executions
- The speed and probability of execution and settlement of orders
- The order size and type, and its effect on the market
- All other considerations MFEX finds relevant for execution of the order (incl. liquidity)

MFEX is taking these factors into consideration when choosing the best execution method and considers these factors at the time of execution according to the client characteristics, the financial instrument at stake and existing market circumstances.

7.3 Price

The price of a fund is the same for all clients, regardless of the order method or broker used. This price is the NAV as determined by the fund’s transfer agent and published through the transfer agent and information providers (such as SIX, Telekurs, or Morningstar). All clients placing orders according to MFEX contract receive the same price. Most funds establish a daily NAV, but some price weekly, monthly or quarterly, as in the case of hedge funds.

In rare occasion, fund companies will mandate that a front-load be charged (typically 1 to 2%). In these instances, the load will be added to the execution price (orders in shares), or built-in (orders in amount, where the load gets deducted from the gross execution price).

7.4 Spot foreign exchange

For funds traded on an exchange, the TA will provide the currency rate in the contract note that is binding for Clients and MFEX. MFEX does not alter the rate provided by the TA stated in the contract note.

Please note, the best execution requirements under MIFID II do not apply to spot foreign exchange. Therefore, MFEX does not have best execution obligations, however, MFEX undertake to always treat its clients fairly and to manage any conflicts of interest that may arise in respect of such transactions.

7.5 Corporate actions

MFEX shall always ensure to respect and follow the clients’ dividends policy. The dividends policy and account structure are decided by the clients during the onboarding.

7.6 Client requests

Where a client makes reasonable and proportionate requests for information about MFEX policies or arrangements and how they are reviewed, MFEX shall answer clearly and within a reasonable time.

MFEX should be able to demonstrate to their clients, at their request, that they have executed their orders in accordance with this policy.

7.7 Swedish financial authority requests

MFEX shall, per request from the Sw. FSA, prove that it follows applicable rules and regulations regarding “best execution”.

8. Aspect of market abuse

MFEX entities providing trading services to their clients within the EU are subject to the market abuse regulation (Regulation (EU) 596/2014, including its implementing and delegated acts). Consequently, the relevant MFEX entity has taken into account, into its internal policies, adequate safeguards to prevent market abuse.

MFEX has implemented adequate measures to prevent Market timing and Late trading, as commonly defined within the EU and considering the guidelines or the competent authorities.

9. Disturbances in the market, flaws in accessibility of the technical systems, etc.

In rare cases, for example trading suspension or other such market disturbances, or where technical systems may be inaccessible, MFEX can assess whether the best interest for the client is to execute or forward the order in some other way. MFEX will then take all sufficient steps to achieve the best possible result for the client.

If the circumstances result in serious disturbances in the market MFEX will contact the clients whose orders were not yet executed in order to get further instructions. If MFEX doesn't receive further instructions from the client, MFEX will take reasonable measures to act in the client's best interest and the client will be bound by the result.

When a Transfer Agent or Fund Company cancels or changes an executed order MFEX clients are bound by such decisions even if MFEX has previously confirmed the order to the client. The fund's registrar/transfer agent is always legally entitled to refuse to execute an order, at its own discretion, and MFEX, as well as its clients, are bound by such decisions.

10. Record keeping and retention period

In accordance with the regulations, each order is retained for five years for evidence of application of the execution policy and can be communicated on request from the client.