coinbase

Best Execution Policy

CB Payments, Ltd

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1. Overview

Under the UK Markets in Financial Instruments Directive (**MiFID**) and Financial Conduct Authority (**FCA**) Conduct of Business Rules COBS 11.2A, CB Payments, Ltd (**CBPL, we or us**) is obliged to take sufficient steps to obtain the best possible result for clients on a consistent basis when placing an order for execution, taking into account a variety of factors that can affect execution (**best execution**). The applicable rules also require us to disclose details of our approach to complying with our best execution obligations and implement procedures which provide for the prompt, fair and expeditious execution of client orders in relation to other client orders.

This Best Execution Policy (the **Policy**) explains how CBPL seeks to achieve best execution for clients when trading relevant MiFID products, as defined below.

2. CBPL's Role

CBPL carries out arranging[1] or reception and transmission of orders (**RTO**) for its MiFID clients. It does not execute trades itself. As an RTO arranger, CBPL has arrangements in place to automatically transmit client orders for execution to or through different Coinbase affiliates and/or third party executing entities based on product type.

CBPL arranges trades for a variety of financial instruments as defined under MiFID (**MiFID products**), such as:

- equities (shares) and American depositary receipts (**ADRs**) (through Coinbase Capital Markets Corporation (**CCM**), or through a UK-based Public Offer Platform (**POP**) Operator (a **POP Operator**) if related to an initial public offerings (**IPO**) or other primary market distributions));
- perpetual instruments (**PERPs**) and other instruments, such as options (**Options**), (through Coinbase Bermuda Limited (**CBBM**)); and
- futures (**Futures**) through Coinbase Bermuda Limited (**CBBM**) and/or Coinbase Financial Markets, Inc. (**CFM**).

Certain best execution obligations under UK FCA and MiFID rules apply to firms like CBPL that receive and transmit orders or place orders with other entities for execution.

CBPL will not (amongst other activities) deal in investments as agent[2] or principal[3] with respect to MiFID product transactions.

[1] Article 25 of the Financial Services and Markets Act 2000 (Regulated Activities Order) 2001 (**RAO**).
[2] Article 21 of the RAO.
[3] Article 14 of the RAO.

We provide further detail in **section 6** below.

3. Applicability

This Policy applies only to clients that CBPL have classified as "**Retail Clients**", "**Professional Clients**", or "**Eligible Counterparties**"[4] in accordance with MiFID. The application of the Policy will depend on the product traded and arranged by CBPL, specifically the following MiFID products:

- **Equities (IPO and listed shares) and American depositary receipts (ADRs) :** available to Retail Clients, Professional Clients and Eligible Counterparties;
- **PERPs, Futures and Options:** available only to Professional Clients and Eligible Counterparties; these products are not offered to Retail Clients.

This Policy only applies to trading undertaken in respect of MiFID products. These best execution standards will not be applied when transacting in assets that are not MiFID products.

By agreeing to trade MiFID products and sending orders through CBPL, a client has agreed to the terms of this Policy and for CBPL to automatically receive and transmit the orders to or through Coinbase affiliate entities and/or third party executing entities, and to support funding methods and forms of sale proceeds in connection with such MiFID product transactions as detailed in our User Agreement. Notwithstanding the above, CBPL is always subject to a general regulatory obligation to achieve best possible results for its clients, treat clients fairly and to manage any conflict of interest.

4. Specific Instructions

Where CBPL, and as a result its Coinbase affiliates and/or third party executing entities, are given a specific instruction by a client with regards to the execution of an order, those specific instructions must be followed. There will be instances where the specific instruction overrides the general best execution obligation. For example, a limit order which specifies a price at which a client wants a trade to be executed (which may be lower than the live market price).

There are no guarantees of execution price for any order types. The price at which an order is ultimately executed can differ from the proposed execution price indicated at the time the order is placed. Factors like market volatility and liquidity mean that market orders may be executed at a better or worse price than originally proposed and limit orders may be executed at a better price than originally proposed.

Note that subject to our User Agreement, CPBL will have no liability against any client if the price at which the order is executed is different to the proposed execution price initially indicated. Clients should review all

[4] While CBPL does not owe best execution obligations to Eligible Counterparties, CBPL will act honestly, fairly and professionally and manage conflicts of interest in accordance with applicable COBS rules.

user terms applicable to the relevant MiFID products and be aware of their unique execution risks before placing orders of any type.

5. Execution Factors

CBPL as a firm providing RTO services is required to take into account criteria for determining the relative importance of the execution factors, such as:

- The characteristics of a client, including client categorisation (i.e. whether retail or professional);
- The characteristics of the client order (i.e. type and size of that order);
- The characteristics of financial instruments that are the subject of that order (i.e. whether the order relates to a Equities (IPO and listed shares) , ADRs, Future, PERP or Option);
- The characteristics of the execution venue to which that order can be directed; and
- The characteristics of the execution venue and their regulatory status.

Generally, for Retail Clients, the best possible result is determined by the total consideration, i.e. the price of the instrument plus all related execution costs. Speed, likelihood of execution and settlement, the size and nature of the order and market impact may be given precedence only where they are instrumental in achieving the best overall result for the client. For Professional Clients and Eligible Counterparties, we may place greater emphasis on other execution factors where appropriate.

As CBPL automatically transmits orders, not all execution factors[5] will apply directly to CPBL. However, as part of the general requirements to treat clients fairly and manage conflicts, CPBL considers that for most instances price will have the priority ranking and that total consideration is a function of that priority.

6. How MiFID Products are Traded

CBPL arranges trades under the following arrangements, which vary depending on the product type:

- **PERPs, Futures and Options**

In order to trade PERPs, Futures and Options, clients must be categorised as a Professional Client (elective or per se) or eligible counterparty client, i.e. CBPL does not currently arrange trades in these products for UK Retail Clients. This means that natural persons must meet the opt-up professional requirements to be categorised as an elective Professional Client.

[5] The execution factors being price, costs, speed of execution, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order (e.g. liquidity and prevailing market conditions).

CBPL will receive orders via the CPBL user interface and automatically transmit orders for execution to:

a. CBBM, a Bermuda-registered broker that will route orders to selected execution brokers and/or venues (e.g. INTX, Deribit and the Deribit exchange) for PERPs, certain Futures and Options; and
b. CFM, which is a U.S. Commodity Futures Trading Commission (**CFTC**)/National Futures Association (**NFA**) regulated Futures Commissions Merchant and Futures Broker, that will execute orders on a selected execution venue (e.g. on the Coinbase Derivatives, LLC exchange (**CDE**)) for certain Futures.

- **Equities (IPO and listed shares) and ADRs**

Equities and ADRs are available to UK Retail, professional and eligible counterparty clients. CBPL will receive orders from UK clients for equities and ADRs via the Coinbase Platform (as defined in our User Agreement) and automatically transmit orders for secondary market trading to CCM, which is a broker-dealer registered in the U.S., which will then route those orders onwards to an external execution and clearing broker with access to the relevant venues, market makers and liquidity providers (e.g. Apex Clearing Corporation (**Apex**)).

For IPOs, CBPL will transmit applications to a UK-based POP Operator for processing. If successful, the client's share allocation will be settled into their existing equities custody account, such as with Apex. IPO subscriptions occur in the primary market and differ from secondary-market transactions. The issuer and/or underwriters determine the final offer price and allocation, so clients may receive fewer shares than requested or none. Indicative allocations provided before pricing are estimates only and are not guaranteed. Subsequent transactions follow this Policy's standard order execution arrangements.

7. Order Handling

- **Order Aggregation**

We do not typically aggregate client orders and they are automatically transmitted to or through our Coinbase affiliates and/or third party executing entities for execution. In the limited circumstances where we do aggregate orders, we will only do so if we reasonably believe it will result in a better overall price for you. Please be aware that while aggregation can be beneficial, it may occasionally lead to a less favourable outcome than if your order had been executed separately. When aggregation occurs, our Coinbase affiliates and/or third party executing entities will handle orders promptly and in sequence, unless market conditions or your specific instructions make this impractical, or where specific allocation methodologies may be utilised (e.g. for IPOs).

- **Price Formation**

Prices are not determined by CBPL. As described above, CBPL transmits client orders to an external broker which determines pricing based on, for example, market data, liquidity, order book conditions or, for over-the-counter (**OTC**) instruments, internal pricing models.

- **Order Types**

CBPL makes various order types available, including market, limit and conditional orders. These orders are transmitted to the executing entities and operate in accordance with the applicable broker's or trading venue's rules, or, in the case of IPOs, the relevant POP Operator's rules.

8. Execution Venues

CBPL is required to assess the characteristics of the MiFID product and choice of execution venue to ensure it consistently delivers best execution. As noted above, CBPL arranges trades to or through affiliates and/or third party executing entities, e.g. CBBM (for PERPs, Futures and Options), CFM (for Futures), CCM (for equities and ADRs) and relevant POPs (for IPOs).

- **PERPs, Futures and Options**

An open PERPs or Options position traded on an execution venue (e.g. INTX or the Deribit exchange) can only be opened and closed on that execution venue, and similarly for an open Futures position (e.g. for a Futures position traded on CDE or the Deribit exchange). MiFID does not prevent firms from only having one selected venue or broker. Even where there is no choice of venues, and best execution standards do not strictly apply, CBPL will continue to apply general requirements to treat clients fairly and to manage conflicts.

- **Equities and ADRs**

Orders for ADRs and equities may be ultimately executed on exchange or over-the-counter, or for IPOs, settled into client custody accounts following a UK POP allocation. CBPL maintains a written agreement between itself and its selected executing entities (e.g. CCM and relevant POP provider). Where applicable, such third parties will perform initial onboarding and ongoing due diligence on its chosen clearing/executing entities (e.g. Apex).

9. Disclosure of inducements, conflicts and fees

Clients should refer to the Ex-Ante Costs and Charges disclosure for details on how their transactions are priced.

CBPL maintains a Conflicts of Interest policy to identify and manage potential conflicts. We do not structure or charge commissions in a way that would undermine our ability to comply with relevant conflicts and inducement rules regarding fees and remuneration, including (without limitation) the FCA best interest and inducement rules and restrictions on payment for order flow (i.e. PFOF).

See CBPL's Conflict of Interest Policy for further detail.

10. Monitoring and Review

CBPL will monitor the effectiveness of its order execution arrangements and whether any amendments need to be made to this Best Execution Policy.

CBPL periodically reviews its arrangements with its Coinbase affiliates and third parties (e.g. executing entities). This includes for example, reviewing the execution arrangements and policy of its affiliates and any other third parties, assessing expectations against performance, and/or confirming whether they have (i) made any changes to the way orders are handled and executed, (ii) are performing best execution monitoring, (iii) have prepared a summary of their monitoring approach, or (iv) whether any changes have been made as a result of such monitoring. CPBL also monitors market and regulatory developments.

CPBL will update this Best Execution Policy to reflect any changes relating to the result of its review and external changes in the market.

11. Fiduciary Duty

Our commitment to provide clients with best execution does not mean that we owe clients any fiduciary responsibilities in respect of order execution over and above the specific regulatory obligations placed upon us or as may be set out in this Policy and our user terms and conditions with clients.

12. Contact details

Upon reasonable request, we will provide a client with additional information about our execution arrangements. We will also notify clients of any material changes to this Policy.

Please feel free to reach out to CBPL's help desk at https://help.coinbase.com/en-gb with any questions and/or requests for additional information.

Glossary / Definitions

Term	Definition or Explanation
ADRs	American depositary receipts
Apex	Apex Clearing Corporation
CBBM	Coinbase Bermuda Limited
CBPL	CB Payments Ltd, UK MiFID investment firm
CCM	Coinbase Capital Markets Corporation
CDE	Coinbase Derivatives Exchange operated by Coinbase Derivatives, LLC
CFM	Coinbase Financial Markets, Inc.
CFTC	Commodity Futures Trading Commission
COBS	Conduct of Business Sourcebook of the FCA Handbook
Deribit	Deribit FZE
Deribit exchange	Derivatives exchange operated by Deribit
FCA	Financial Conduct Authority
INTX	Coinbase International Exchange operated by CBBM
IPO	Initial public offering
MiFID	Markets in Financial Instruments Directive 2014/65/EU and related regulation as implemented in English law and UK regulations
NFA	National Futures Association
OTC	Over-the-counter
PFOF	Payment for order flow
POP	Public Offer Platform
POP Operator	A Public Offer Platform operator
RAO	Financial Services and Markets Act 2000 (Regulated Activities Order) 2001
RTO	Reception and transmission of orders