

Daiwa Capital Markets Europe Limited

Best Execution and Order Handling Policy Notice (November 2023)

Introduction

Daiwa Capital Markets Europe Limited (**DCME** or “**we**”) is required to establish and implement a best execution policy and provide appropriate information on this to its clients. This document is intended to summarise the details of this. The policy and arrangements are designed to allow DCME to obtain the best possible result when we execute orders on our clients’ behalf in accordance with COBS 11.2A.

General Principles

When executing orders relating to financial instruments on our clients’ behalf, DCME will take all sufficient steps to achieve best execution. This means that DCME will have in place effective arrangements that are designed to obtain the best possible execution result.

For this purpose, DCME will take into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to execution of order (“**best execution factors**”).

In the appendices of this document, we will explain detailed information with respect to each class of products:

- Cash Equities
- Fixed Income, Currency, Commodities
- Convertible Bonds

DCME’s commitment to provide you with best execution does not mean that it owes you any fiduciary or other responsibilities over and above the specific regulatory obligations placed upon DCME or as may be otherwise contracted between you and DCME.

Scope

The document applies to clients classified by DCME as **Professional Clients** to whom DCME has contractual or agency obligation and only to transactions in UK MiFID Financial Instruments. The relationship between DCME and you is determined and governed by our terms of business.



Where DCME receive and transmit or execute orders on our clients' behalf in financial instruments on an "agency" basis, or DCME has provided explicit confirmation that best execution is to apply, the best execution arrangement applies.

“Request for Quote”

In some cases we may deal with you as principal but not act on your behalf, for example, when we provide you with a quote at your request for a price at which we would purchase or sell a financial instrument and, based upon which, we subsequently carry out a transaction with you (“Request for Quote” or “RFQ” business).

When conducting RFQ business, we will consider the nature of the instruction with respect to the following list of factors (referred to as the ‘Four-Fold Cumulative Test’) to determine whether it is actually acting on behalf of the client:

- Which party initiates the transaction;
- Market practice and the existence of a convention to ‘shop around’;
- Relative levels of price transparency within a market; and
- Information provided by DCME and any agreement reached.

Execution Factors

When executing an order on your behalf or transmitting them to another entity for execution, DCME will take into account the following best execution factors:

- Price;
- Costs;
- Speed;
- Likelihood of execution and settlement;
- Size;
- Any other consideration relevant to execution of order.

To determine relative importance of best execution factors, DCME will take into account the following:

- The characteristics of the client including the categorisation of the client;
- The characteristics of the client order;
- The characteristics of the financial instruments that are the subject of the order;
- The characteristics of the execution venues to which that order can be directed.



In absence of specific instructions from you, DCME will exercise our own discretion in determining the factors that DCME need to take into account for the purpose of providing you with “best execution”.

The diversity in the markets and instruments means that different orders that you place with DCME may take account of different best execution factors when DCME assesses the nature of its execution in the context of different financial instruments and different markets.

The appendices will set out example orders of the best execution factors and how we may apply them in relation to each product line.

Execution Venues

Where DCME deals with you on a principal to principal basis, DCME itself will be the execution venue.

Where DCME executes your order on regulated markets, multilateral trading facilities, organised trading facilities, systematic internalisers, market makers, other liquidity providers (including DCME’s affiliates) or third country trading venues, these entities will be the execution venues.

In some instances, for example where DCME is not a direct member of trading venues / third country trading venues, we may pass your order to a third party for execution. This third party may be an affiliate of DCME.

Where a Daiwa affiliate is chosen as an execution entity, the close relationship between DCME and the affiliate is such to enable greater cooperation throughout the execution process and effect swift changes to process where needed. The selection of an affiliate will also allow DCME’s orders to be exposed to the same liquidity pools as that of the affiliate.

As a part of the review process to assess whether the execution venues and entities for execution provide for the best possible result, DCME will take the information published by trading venues and entities for execution so that DCME can evaluate the quality of execution provided by these entities, in accordance with the relative importance of best execution factors DCME has established. In addition to that, DCME may take the other relevant qualitative factors into account.

The appendices will set out the lists of the execution venues/entities for executions with respect to the each product line.



Specific Instructions

Where a client give DCME specific instructions in relation to an order or a particular aspect of an order, DCME shall execute so far as is reasonably possible in accordance with those instructions. **With respect to the elements impacted by such specific instructions, DCME will be deemed to satisfy its best execution obligation by following the instructions.**

This includes but not limited to the use of the technology or systems which enable you to achieve direct access to execution venues.

Demonstrating Best Execution

At your request, DCME will demonstrate that we have executed the order in accordance with the policy where best execution applies. Where necessary, each desk may compare the outcome with the order, taking the market condition into account, to verify if DCME obtained the best possible result for you.

Monitoring and Review of the Arrangement/Policy

DCME will monitor the effectiveness of both its order execution arrangements and its order execution policy with a view to identify and, where appropriate, correct any deficiencies. DCME will assess whether the execution venues and entities for execution included in the execution policy provide the best results for you or whether DCME needs to make changes to its execution arrangements.

The policy will be reviewed on at least an annual basis and whenever a material change occurs that affects our ability to continue to achieve the best possible results for our clients. We will disclose these changes on DCME's website.

Client Consent

Consent to the Policy

You will have provided a prior express consent to the application of this document along with the specific points below where you receive our terms of business and:

- Complete and return the acknowledgements schedule attached to the terms; or
- Start trading with us.



Consent to Execution Outside the Trading Venue

You agree and acknowledge that DCME may execute an order on your behalf outside a trading venue, as defined in UK MiFID II.

Consent to not Publishing Limit Orders

You agree and acknowledge that in the case of a limit order in shares admitted to trading on a regulated market which are not immediately executed, DCME is not bound to facilitate the earliest possible execution of that order by making it public.

Queries

If you wish to discuss the application of the best execution arrangement, please contact your usual relationship managers.



Appendix 1: Cash Equities

Relative Importance of Execution Factors

We endeavour to measure Best Execution over the duration of the whole order, not necessarily on a tick by tick basis or even, in the case of multiple day orders, a day by day basis. In general, we consider the relative importance of the execution factors in the following order:

1. Likelihood of Execution and Settlement
2. Price
3. Costs
4. Speed
5. Size
6. Other considerations relevant to the execution

Execution Venues and Entities for Execution

The following table details the affiliate and counterparties DCME chose to execute their Equity business through:

Country	Venue	Entities for Execution
Australia	Australian Stock Exchange	Daiwa Capital Markets Hong Kong Limited (Daiwa HK)
	CentrePoint	Daiwa HK
	Chi-X	Daiwa HK
	Macquarie Dark	Daiwa HK
China	Shanghai Stock Exchange	Daiwa HK
	Shenzhen Stock Exchange	Daiwa HK
	Hong Kong Stock Exchange	Daiwa HK
India	Bombay Stock Exchange	Ambit Capital BVT
	National Stock Exchange of India	Ambit Capital BVT
Indonesia	Indonesia Stock Exchange	Daiwa Capital Markets Singapore Limited (Daiwa Singapore) (Cash execution handling), Daiwa HK (Booking office, PT handling)
Japan	Tokyo Stock Exchange	Daiwa Securities Co. Ltd. (Daiwa Tokyo)
	Nagoya Stock Exchange	Daiwa Tokyo
	Sapporo Stock Exchange	Daiwa Tokyo
	Fukuoka Stock Exchange	Daiwa Tokyo



	DRECT	Daiwa Tokyo
	SBI	Daiwa Tokyo
	Osaka Digital Exchange	Daiwa Tokyo
	Chi-X	Daiwa Tokyo
Korea	Korea Stock Exchange	Daiwa Korea
	KOSDAQ	Daiwa Korea
Malaysia	Bursa Malaysia	Daiwa Singapore (Cash execution handling), Daiwa HK (Booking office, PT handling)
New Zealand	New Zealand Stock Market	Daiwa HK
Pakistan	Karachi Stock Exchange	Daiwa HK
Philippines	The Philippines Stock Exchange	DBP-Daiwa Capital Markets Phils
Saudi Arabia	Saudi Exchange	BNP Paribas
Singapore	Singapore Exchange	Daiwa Singapore
Sri Lanka	Colombo Stock Exchange	John Keells Stock Brokers Pvt Ltd
Taiwan	Taiwan Stock Exchange	Daiwa Cathay Capital Mkts Taiwan
Thailand	The Stock Exchange of Thailand	Daiwa Singapore (Cash execution handling), Daiwa HK (Booking office, PT handling)
Vietnam	Hochiminh Stock Exchange	Saigon Securities Inc
	Hanoi Stock Exchange	Saigon Securities Inc
American and Canadian Shares	Trading Venues/Market Makers and Liquidity Providers in the US and Canada	Daiwa Capital Markets America Inc. (Daiwa America)
European Shares	Trading Venues/Market Makers and Liquidity Providers in Europe	Sanford Bernstein / Macquarie / RBC / Jefferies
Israeli Shares	Trading Venues/Market Makers and Liquidity Providers in Israel	Sanford Bernstein / Macquarie / RBC / Jefferies
South African Shares	Trading Venues/Market Makers and Liquidity Providers in South Africa	Sanford Bernstein / Macquarie / RBC / Jefferies

In rare occasions DCME and Daiwa affiliates might be execution venues where they provide liquidity or it matches clients' orders.



Appendix 2: Fixed Income, Currency, Commodities

Scope

Where you request quote (RFQ), DCME will exercise the four-fold cumulative test to determine whether you have legitimate reliance on us.

Where we agree to work an order but you specified the certain aspects of the orders, DCME assume that for these aspects the best execution is fulfilled following these specific instructions. Where (if at all) there is remaining discretion when working an order, DCME will apply best execution.

Relative Importance of Execution Factors

On the occasions that DCME is left an order with discretion, DCME will generally think the relative importance as such.

1. Price
2. Speed
3. Size
4. Likelihood of execution
5. Cost
6. Other consideration relevant to the execution

However, where the bond is illiquid, DCME may think different order shall apply.

1. Likelihood of execution
2. Size
3. Price
4. Cost
5. Speed
6. Other consideration relevant to the execution

Execution Venues

Fixed Income desk uses the following execution venues:

- Tradeweb
- MarketAxess
- Bloomberg
- Yieldbroker



- Daiwa Securities Group entities, including DCME, Daiwa Securities Co. Ltd., Daiwa Capital Markets America Inc., Daiwa Capital Markets Singapore Limited and Daiwa Capital Markets Hong Kong Limited.



Appendix 3: International Convertible Bonds (ICB)

Scope

Where you request quote (RFQ), DCME will exercise the four-fold cumulative test to determine whether you have legitimate reliance on us.

Where we agree to work an order but you specified the certain aspects of the orders, DCME assume that for these aspects the best execution is fulfilled following these specific instructions. Where (if at all) there is remaining discretion when working an order, DCME will apply best execution.

Relative Importance of Execution Factors

On the occasions that DCME is left an order with discretion, DCME will generally think the relative importance as such.

1. Price
2. Speed
3. Size
4. Likelihood of execution
5. Cost
6. Other consideration relevant to the execution

However, where the bond is illiquid, DCME may think different order shall apply.

1. Likelihood of execution
2. Size
3. Price
4. Cost
5. Speed
6. Other consideration relevant to the execution

Execution Venues

The ICB desk uses DCME as an execution venue, plus the following:

- Regulated markets (e.g. Tokyo Stock Exchange for Japan Equities); and
- Tradeweb.

