BLOOMBERG TRADEBOOK EUROPE LIMITED (“Tradebook Europe”)

Summary of Tradebook Europe’s Order Execution and Order Handling Policy for Professional Clients

This document only applies to professional clients and not eligible counterparties or retail clients within the meaning of Directive 2004/39/EC (“MiFID”). Where this document refers to ‘clients’, it refers to professional clients of Tradebook Europe and not eligible counterparties. Tradebook Europe does not provide services to retail clients.

Tradebook Europe is required to provide its clients with best execution under MiFID, as implemented in the United Kingdom under COBS 11.2 of the UK Financial Conduct Authority (“FCA”) Handbook.

This document summarises Tradebook Europe’s approach to providing best execution for its clients. The purpose of this summary is to inform clients how Tradebook Europe intends to achieve best execution, in order to help clients understand how their orders will be executed and so allow them to make informed decisions about whether to utilise the services offered by Tradebook Europe.

1. Background on Tradebook Europe and the Bloomberg Tradebook® system

Tradebook Europe provides services for its clients in relation to the Bloomberg Tradebook® system (the “Tradebook system”), which routes orders to exchanges and other execution venues in over 40 countries around the world. Tradebook Europe provides agency execution services to professional clients for the trading of equities and U.S. equity options. It also provides receipt and transmission services in respect of options, futures and fixed income.

The majority of orders are received electronically from clients, although where Tradebook Europe provides execution services the client can also give an order by telephone or by messaging system to the Tradebook Europe Sales Account Manager. As described below, orders are executed through the Tradebook system, but clients have the ability to give specific instructions concerning the execution of their order.

2. Best Execution Obligation

Tradebook Europe is required to take all reasonable steps to obtain the best possible result for its clients when executing their orders in relation to financial instruments, taking into account the “execution factors”, being price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. This is known as the “best execution” obligation. This summary describes Tradebook Europe’s arrangements for achieving best execution.

3. Equities and U.S. Equity Options

Tradebook Europe executes transactions in equities and U.S. equity options through the systems operated by its affiliates, Bloomberg Tradebook LLC (“Tradebook U.S.”) and Bloomberg Tradebook (Bermuda) Limited (“Tradebook Bermuda”). Tradebook Europe generally relies on its arrangements with affiliates and third parties for access to exchanges and trading systems.

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Orders for non-U.S. equities are executed through a member of the relevant exchange, which either executes on exchange or in its own proprietary system. Orders for U.S. equities are executed on a U.S. exchange or U.S. regulated alternative trading system ("ATS") by a broker member of the exchange/ATS, or by a broker in its own proprietary system.

Orders for equity options listed on U.S. options exchanges are sent to Tradebook U.S. for routing to a U.S. exchange and clearing through the U.S. Options Clearing Corporation.

The execution principles described below apply to all execution services provided by Tradebook Europe.

4. **Exchange Traded Funds/Exchange Traded Products**

Tradebook Europe offers a Request For Quote (RFQ) system for trading of exchange traded funds and other exchange traded products (ETFs/ETPs). The ETF RFQ function enables a client to send Tradebook Europe an RFQ for ETFs/ETPs. Tradebook Europe then sends these RFQs, where relevant through its affiliates, to various ETF liquidity providers supporting the relevant ETF/ETP. Two-way quotes will be updated to the client in real time. If a quote is accepted by the client, the order will be sent to the relevant ETF liquidity provider and the client will receive a confirmation.

5. **Execution factors**

Tradebook Europe generally gives the highest priority to the price of the relevant financial instrument and the likelihood of execution, then market liquidity, speed, order size and nature, market impact and costs. Tradebook Europe can exercise its discretion to prioritise other factors where this is required to obtain the best possible result for the client.

Price is generally the most important execution factor, but likelihood of execution and settlement will be more important than price for certain illiquid securities or for orders that must be completed during a specified period irrespective of price.

In order to increase likelihood of execution, the smart order router and algorithms used by Tradebook Europe, where relevant, monitor market data in real time to evaluate where there is liquidity. Priority is generally given to execution venues with the most liquidity in order to minimise the number of executions required to complete the order.

The brokers used for execution have to meet certain standards in terms of their technical arrangements for receipt and execution of orders.

For equities, Tradebook Europe charges a set rate of commission for each market as agreed with the client. The rate includes execution venue costs. Where a market has more than one execution venue, Tradebook Europe charges the same blended commission rate irrespective of execution venue used.

For U.S. equity options, under United States trade-through rules, exchanges must execute better prices displayed on other markets or match those better prices before executing on their own at inferior prices. Tradebook Europe therefore routes based on the lowest exchange costs for a given order size and quantity, absent other specific instructions from the client. This is the case whether the client is on a blended commission rate or a pass-through commission rate.

For both equities and U.S. equity options, Tradebook Europe will not prioritise its own cost of execution ahead of the execution result sought for the client.

The prioritisation of the execution factors is built into the logic of the Tradebook system where relevant. This logic is subject to periodic review by Tradebook Europe including with respect to the execution factors.
Tradebook Europe’s clients have control over some of the execution factors based on the strategies, algorithms or other parameters entered. Descriptions of available strategies and algorithms are separately available to clients.

6. **Execution Venues and Third-Party Brokers**

When selecting potential execution venues, Tradebook Europe will include the primary exchange for each market and other venues based on liquidity, market share, accessibility, value and client interest. Potential execution venues may include regulated markets, multilateral trading facilities (MTFs), alternative trading systems, ‘dark pools’, market makers and other liquidity providers. Tradebook Europe will, on request, provide further details to clients on the execution venues included in the policy.

The venue on which a transaction is executed is determined by:
- the range of available venues on which the transaction in a particular instrument may be executed;
- where more than one venue is theoretically available, by any specific strategy selected by the client; and
- otherwise, efficient execution taking into consideration any specific strategy selected by the client.

Tradebook Europe evaluates brokers on the basis of factors such as access to venues, cost, reliability of technology and connectivity, settlement and failure rates and level of service. Once a broker is admitted to Tradebook Europe’s broker network, routing decisions are based on a routing table designed to prevent too much leakage and minimise charges.

7. **Specific instructions from the client**

Where Tradebook Europe executes an order (or aspect of an order) following a specific instruction from the client, Tradebook Europe will be treated as having satisfied its best execution obligation to the extent it follows such instructions. For example, a client may choose to direct an order to a specific exchange, and in such case Tradebook Europe will follow the client’s instructions rather than exercising its own discretion in directing the order.

The best execution obligation still applies to any part of an order not covered by a specific instruction. For example, a client may select a particular algorithm, but depending on the algorithm selected there may still be an element of discretion within its operation which is the responsibility of Tradebook Europe and not the client.

Most algorithms feature user-specifiable parameters. The parameters are included in the algorithm description. Where the user specifies these parameters, these constitute specific instructions from the client which Tradebook Europe must follow to the exclusion of any default settings.

In addition to sending orders electronically, clients may give direct oral or written instructions to a Sales Account Manager.

8. **Receipt and transmission of client orders**

The services provided by Tradebook Europe in the instruments described in the sections below involve receipt and transmission and do not involve execution of orders.

The FCA rules impose an obligation to act in accordance with the best interests of clients when providing the service of receipt and transmission. Tradebook Europe is required to have a policy which is the means by which Tradebook Europe obtains the best possible result for its clients when it transmits orders to other venues and brokers for execution.

Tradebook Europe selects venues and brokers for receipt and transmission on the same basis as for execution, except where indicated below. Tradebook Europe is satisfied that the venues and brokers have execution arrangements that enable it to obtain the best possible result for its clients, taking into account
the execution factors. Tradebook Europe will, on request, provide further details to clients on the venues and brokers included in the policy.

Tradebook Europe satisfies its obligation to act in accordance with the best interests of clients to the extent that it follows specific instructions from the client when transmitting an order to another entity for execution. Tradebook Europe exercises no discretion in the provision of services when it is passing on such instructions. It is only when Tradebook Europe exercises discretion that the duties described above apply.

The systems involving receipt and transmission and the basis on which any discretion is exercised by Tradebook Europe (and therefore the duties above apply) are described below.

9. Futures and options on futures, and non-U.S. equity options

Tradebook Europe provides receipt and transmission services to its clients in relation to futures and options on futures, and options on equities traded on exchanges outside the United States. The Tradebook system connects directly to the relevant futures and options exchanges and electronically transmits client orders in the name of executing brokers. In some cases, Tradebook Europe routes orders to exchanges via the executing brokers’ connections. In choosing the contract to trade, clients in effect designate the exchange to which the order will be routed due to vertical integration in these markets and lack of fungibility between contracts.

10. Fixed income

Tradebook Europe provides receipt and transmission services to its clients in fixed income instruments through ETOMS smart order routing (“ETOMS SOR”). ETOMS SOR allows a client to route orders in fixed income instruments in its own name to trading venues of which it is a member. ETOMS SOR will also treat the Bloomberg BBT and Executable ALLQ platforms as a trading venue if the client uses the direct order routing module offered by Bloomberg Global Limited, an affiliate of Tradebook Europe.

ETOMS SOR determines the trading venue to which to route the order using logic that takes into account relevant inputs such as price, time and quality of previous executions, oversize logic (sending an order for more than is displayed) and posting (searching for hidden or reserve orders).

The client can manually confirm each routing decision or can allow ETOMS SOR to route orders automatically for a defined period without further manual input from the client.

11. Monitoring, Review and Notification of Material Changes

11.1 Tradebook Europe regularly monitors the effectiveness of its order execution arrangements in order to identify and, where appropriate, correct any deficiencies.

11.2 Tradebook Europe will review its order execution policy and order execution arrangements at a minimum on an annual basis, and whenever a material change occurs that affects Tradebook Europe’s ability to continue to obtain the best possible result for the execution of its client orders on a consistent basis using the venues included in the order execution policy.

11.3 Tradebook Europe will notify its clients of any material changes to the order execution policy and order execution arrangements as described in this summary.