Name:	**VCMHK Execution Policy**
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Originator:	Compliance
Addressees:	All VCMHK staff

Purpose

This document describes our policy for achieving best execution for clients.

Application

This policy applies to the execution of client orders where, in accordance with market practice and the nature of the transaction, we provide to clients a service which includes obtaining the best execution result on available terms, in accordance with the SFC's Code of Conduct. Best execution also applies where an order is placed on an exchange of which we are not a trading participant, and the order is passed to an executing broker.

Best execution does not apply to:

(a) Dealing on a Request-for-Quote basis

When a broker quotes a price at a client's request, that request is not a client order. Best execution does not apply for the price given to client.

(b) Specific Instructions

Where a broker has specific instructions from the client, the broker is not obliged to follow best execution in the event that there is a conflict between best execution and the client's instructions. For example, if the client instructs us to execute on the SEHK, the broker has no discretion to select the trading venue, but has discretion over other aspects of the trade, and for which best execution still applies. Clients may give specific instructions in relation to venue, execution broker, time and price, among other things. For best practice and for the broker's protection, the instructions should be confirmed in writing.

(c) Highly structured Transactions

For highly structured off-exchange transactions, the contractual structure may not lend itself to meaningful market comparables in assessing best execution. Nonetheless, brokers still owe clients a general duty to act in the best interest of the client.

(d) Single Venue Transactions

Where transactions can only be executed at one venue, best execution only applies in the context of that venue.

Subject to the above, best execution applies to orders that brokers execute or pass on for execution by a third party.

Best Execution

1. Achieving Best Execution

Best execution means taking reasonable steps to obtain the best result for clients. There is no guarantee that the best price is obtained in all cases and, in any event, the factors taken into account in providing best execution may lead to different results for different transactions.

2. The Factors

Best execution takes into account:
- price;
- costs;
- speed;
- client's specified limits;
- the need to communicate to clients on meeting thresholds and requesting consent to execute where appropriate;
- likelihood of execution and settlement (liquidity);
- size;
- nature of the transaction;
- market impact;
- type and characteristics of the instrument;
- characteristics of the execution venues;
- the need to provide quotes and passing on price movements, where appropriate; and
- any other consideration relevant to the execution of the particular order.

The broker should determine which factors to take into account and the weight given to each factor in determining best execution, depending on:
- the type of client;
- the trading characteristics and limitations of the client;
- the characteristics of the order;
- the characteristics of the financial instruments;
- prevailing market circumstances; and
- the characteristics of the venues (if more than one) where the order can be executed.

Price is usually an important but not the sole factor.

3. Passing on Orders for Execution

In determining whether to place an order through a third party execution broker, factors for consideration include successful execution and settlement, price, and cost, including the costs of the executing broker and the exchange.

4. Trading Venues

For best execution, the broker should consider which trading venue is the most suitable. These include:
- regulated exchanges;
- multi-lateral trading facilities;
- an unregulated exchange (with client's consent); or
- from the book of a third party.

To select the most appropriate venue, the broker should consider:
- the price and the depth of liquidity at that price;
- the ability of the venue to manage complex orders;
- the speed of execution;
- the creditworthiness of the venue;
- the quality of related clearing and settlement facilities;
- the costs of the venue; and
- any other relevant factor.

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5. Aggregation
When aggregating orders from different clients, brokers should act fairly between clients, taking into account all relevant factors, including but not limited to the potential need to allocate partly-filled orders between different clients.

6. Prompt and fair allocation
Brokers should ensure that transactions are executed promptly, and that partially-filled orders are fairly allocated between clients. In general, allocation is based on the order in which they are received, unless there are other relevant factors relevant to ensuring fairness.

7. No withholding of orders for convenience
Brokers should not withdraw or withhold client orders for their own convenience or for any other reason, unless instructed by the client, for market orders and limit orders that can be executed in the market at the relevant price.

If you have any questions with regards to this policy or any issue concerning best execution, please contact the Compliance department by emailing compliance@vcm.hk. Alternatively, you may speak to the following persons in a confidential manner.

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