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1. Introduction and Purpose

Archax Ltd (“Archax”) is required to act honestly, fairly and professionally in accordance with the best interest of clients when providing investment services. This Policy sets out Archax’s obligations under the FCA’s Best Execution rules as lined out in the FCA Handbook COBS 11.2A and explains how Archax will ensure that all sufficient steps are taken to obtain best possible result for all clients and that their orders are handled in a fair, just and timely manner. The factors Archax needs to consider when delivering best execution include price, cost, speed, likelihood of execution and settlement, size and nature of the order.

To note, in the following, we take into account the COBS 11¹ changes the FCA implemented through the MiFID II Quick Fix and which it announced in its Policy Statement PS21/20² published in November 2021. In particular, the FCA no longer requires firms to publish Best Execution reports and to publish data on the top five execution venues.

2. Application

As set out below in more detail, throughout this Policy it should be kept in mind (referring to COBS 11.2A FCA handbook):

- Archax employs a non-discriminatory matching engine that matches orders strictly following a price-time-size priority;
- Archax does not route any orders to any other execution venues outside of its own MTF;
- Archax does not offer any services to clients that relate to actively selecting financial instruments on behalf of clients;
- Archax offers Direct Electronic Access (DEA) to clients or direct MTF membership. As such, there is on scenario in which Archax submits order to the MTF on behalf of clients;
- Archax will, on occasion, act in the capacity of a broker and facilitate the activity of reception and transmission of orders on behalf of clients.

Following the above, this Policy solely applies to Archax when:

- a) when providing Direct Electronic Access (DEA) services to clients on the MTF,
- b) when providing direct MTF access to members and
- c) when acting in the capacity as a broker to counterparties.

It applies to all financial instruments for which Archax has been authorised to provide services in.

3. Best Execution (COBS 11.2A)³

The best execution obligation requires Archax to *‘take all sufficient steps to obtain, when executing orders, the best possible results for its clients taking into account the execution factors. The execution factors to be taken into account are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.’*

In deciding the importance of the above execution factors, MiFID requirements stipulate that Archax must consider the characteristics of:

- Client (for example, their categorisation);
- Order type;
- Type of financial instrument; and

¹ <https://www.handbook.fca.org.uk/handbook/COBS/11/?view=chapter>

² <https://www.fca.org.uk/publication/policy/ps21-20.pdf>

³ <https://www.handbook.fca.org.uk/handbook/COBS/11/2A.html>

- The execution venue to which the order is directed

Archax will consider the above characteristics in varying degrees, as this will depend on whether the order is executed directly on the MTF, to which the obligations will apply more loosely, as opposed to when Archax facilitates the execution of orders, to which the Firm will need to consider the characteristics more thoroughly.

In regard to the MTF service, upon receiving an order from an Archax broker client which has passed relevant pre-trade controls, the Archax system will pass through this order to the order book instantaneously via Direct Electronic Access (DEA). As such, any such orders will be treated equally and fairly under Archax's price-time-size priority matching mechanism, in line with orders submitted by direct MTF members. To be clear: Archax will ensure that the matching engine will not discriminate against any orders, whether submitted by direct MTF clients or via DEA by clients of the Archax broker.

4. Brokers on the Archax MTF

Archax reviews the list of brokers on its MTF at least annually, or whenever a material change occurs that affects the ability to continue to obtain the best possible result for clients.

In choosing a third-party broker from the Archax broker list, Archax has taken care to ensure that such brokers have the systems and controls in place to provide a high-quality execution service on the MTF. However, where a third-party broker places an order on the Archax MTF, Archax is not responsible for controlling or influencing the arrangements made by the Broker relating to the execution of that order (i.e. it is the broker's obligation to follow best execution rules for its clients). As such Archax is not required to duplicate the efforts of the Broker to whom an order is passed in ensuring the best possible result, but will ensure that no broker's orders are discriminated on the MTF.

5. Archax acting as broker

Archax are also obligated to apply their best execution endeavours when the Firm acts in the capacity as a broker to other counterparties, specifically when facilitating the reception and transmission of orders. When seeking the best possible result for the client, MiFID requirements stipulate that Archax must consider the aforementioned execution factors and will apply this to all associated business involving all Professional and Eligibles Counterparties.

When Archax will be acting in the capacity as a broker to a trade, MiFID requires the Firm to consider the following factors when selecting a venue for execution:

- Financial strength and the ability of the venue to execute client orders of Archax – Archax will review historic information of the venue that may support the notion of good financial strength, such as volume of trades and/or orders executed;
- Ability to offer the best price and liquidity – Archax will consider the liquidity provisions of the potential venues and will focus on those which are able to provide the most available liquidity for the chose instrument;
- Ability to settle trades in a timely manner – Archax will review the venues ability to execute such trades in the chosen instrument as soon as practicable and given prevailing market conditions;

- Screen against various regulatory and sanction issues – Archax will assess the competency of the potential venues against adverse media.

Archax will monitor their approved venues for external news that may suggest concerns. If Archax becomes aware of negative information, Archax must act on it immediately and consider temporarily removing the execution venue from the approved list until a full assessment has been completed.

When approaching methodology, Archax will take a broadly tailored approach, due to the infrequency of trades in which the Firm acts in a broking capacity. Below is a high-level overview of the methodology implemented by Archax in order for the Firm to get the best possible results from the execution factors:

1. Price – Generally, price is the most important of the execution factors and the Firm will aim to prioritise this where possible. There may be instances however where the Firm may need to prioritise a different factor to ensure best execution is achieved, for example in illiquid assets;
2. Cost – Cost is dependent on a number of factors, such as nature of the trade or venue used. Archax will aim to prioritise cost when price is not considered the most prevailing factor;
3. Speed – In some instances, speed may be given precedence over the immediate price and cost of a trade. This may depend on the urgency of the counterparties;
4. Likelihood of execution & settlement – Archax may consider it appropriate to split large orders, for example in illiquid instruments, to ensure execution is successfully achieved;
5. Size, nature and complexity – Archax may consider that, due to the size, nature or complexity of an order that it is appropriate to split the order across multiple venues to ensure execution is achieved.

6. Inducements and Execution Venues and Quality of execution obtained

In regard to the MTF service, Archax does not send any client orders to third-party execution venues or brokers and as such does not pay/receive Inducements or commissions by other execution venues.

7. Client notification/consent requirements

Archax will provide its clients with appropriate information on this policy by making it available to clients via its website. To the extent that Archax makes any material changes to this policy (whether pursuant to the review process or otherwise), the firm will notify the changes to its clients. Compliance will ensure that such notifications are made.

8. Client Order Handling

8.1. General Obligation

By ensuring the smooth running of its trading systems and controls Archax will provide for the prompt, fair and expeditious execution of client orders.

Regarding allocation, in a scenario where several clients intend to trade the same security at the same time, the matching engine will follow a strict price-time-size priority. Archax will not interfere into this mechanism to ensure objectivity and fairness.

8.2. Allocation Factors

Archax does not perform any portfolio management or advisory services, therefore will not select appropriate eligible investments or instruments on behalf of clients. Solely the clients themselves decide on the trade they are wishing to undertake, including instrument and quantity.

8.3. Order Handling

If an order is made by one client only, it is executed in the normal manner in accordance with the Best Execution Policy. Archax will ensure that any orders executed on the MTF are promptly and accurately recorded and allocated to the client's records within Archax's internal systems.

Archax will carry out otherwise comparable orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable. Archax will inform clients of any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty. Archax will 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.

8.4. Procedures

Archax will adopt the following procedures to monitor the effectiveness of its order execution arrangements and to demonstrate that it has acted in accordance with this Policy.

9. Monitoring

Trade monitoring incl. market surveillance sits withing Compliance and Archax's third-party surveillance provider, whereas Operations will own the process related to the recording and documentation of orders and trade confirmations. Any irregularities will instantly be flagged by either department.

10. Compliance Monitoring

The compliance monitoring process will involve a periodic review of a random sample of transactions to ascertain whether the matching engine has strictly followed a price-time-size priority.

Compliance, as owner of this Policy, may make changes to this policy depending upon the outcome of the monitoring process. The monitoring of the adherence to this Policy and the record keeping forms part of the Compliance Monitoring Programme performed by Compliance.

11. Review

Archax will review this Policy at least annually. The reviews will be supervised by compliance and this requirement has been incorporated into Archax's compliance monitoring process.



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