



ARRACO IRELAND LIMITED

ORDER EXECUTION POLICY

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OTF ORDER EXECUTION POLICY

1. INTRODUCTION

ARRACO Ireland Limited (hereinafter referred to as “AIL” or “the Firm”) [is an “investment firm” authorised by the Central Bank of Ireland] under the European Union (Markets in Financial Instruments) Regulations 2017 as amended (the “MIFID” Regulations) to provide the services of:

- a) Reception and Transmission of orders in relation to one of more Financial Instruments;
- b) Execution of Client Orders; and
- c) Operation of an Organised Trading Facility (“OTF”).

AIL arranges transactions in electronic and voice broking services in certain over-the-counter petroleum products and energy market products, including, oil, natural gas and electric power (“OTF Products”). In addition, we are authorised by the Central Bank to operate an OTF in respect of the products listed in the OTF Rulebook, a copy of which is published on our website at www.arraco.com. The Market Identifier Code for our OTF is AILT.

The OTF Products are subject to change over time and the full list of OTF Products which are admitted to trading on the OTF, will be available on the Arraco website at www.arraco.com.

In addition to operating an OTF, AIL also act as a pre-arranger for block futures listed on Regulated Markets. AIL will pre-arrange buying and selling interests under the rules of the Regulated Market, inputting the pre-arrangements into the Regulated Market’s systems for central counterparty clearing.

Under the Directive 2014/65/EU of the European Parliament and the Council of 15th May 2014 on Markets in Financial Instruments Directive II (the “MIFID Directive”) and Regulation (EU) No 600/2014 of the European Parliament and of the Council in markets in financial instruments and amending (EU) No 648/2012 regulations and its implementing directives and regulations (“MiFIR”) (together “MiFID II”) and the MIFID Regulations, which implement MiFID II in Ireland, each investment firm transacting with clients of a certain categorisation under MIFID II is required to implement an order execution policy (“Policy”) and to take all sufficient steps to obtain the best possible result (“best execution”) for its Clients either when executing client orders or receiving and transmitting orders for execution on the OTF platform, taking into account the execution factors.

This purpose of this Policy is to set out information for AIL’s Clients relating to how AIL will seek to provide best execution. The Policy also provides Clients with information regarding order types and pre and post trade regulatory reporting obligations. This should be read with the relevant Terms of Business and the AIL OTF Rulebook.

This policy applies to:

- (i) Clients executing trades on AIL’s OTF (Section 2)
- (ii) Clients using AIL as a pre-arranger of block futures (Section 2)

2. THE OTF.

2.1 AIL operates an Organised Trading Facility.

AIL operates an OTF as defined in Article 4(23) of MiFID II as *“a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of this Directive”*.

AIL offers a hybrid system bringing about potential transactions between multilateral client interests on a discretionary basis using the AIL OTF System. The AIL OTF system combines both an electronic trading system and a voice trading system. AIL’s OTF Clients can select the relevant system, or a hybrid combination of the two.

The voice trading system will be provided by AIL using telephone and electronic communication channels to contact OTF Clients to receive orders from Clients. The electronic trading system is provided by Trayport as the electronic user interface system used by AIL’s OTF Clients to place orders electronically in AIL’s OTF.

The two systems will work alongside each other as hybrid system, there will be no separation between the electronic and voice brokerage services to be provided. The electronic trading system permits interaction with the voice trading system allowing for broker intervention, voice entry and deal editing by the relevant Brokers. Transactions may be executed in a hybrid fashion within which a Broker can, using discretion, use both the electronic and or voice trading

system to arrange transactions for Clients.

When AIL's OTF Clients access AIL's OTF platform they will be able to interact with other market participants, also Clients of AIL, to buy and sell OTF products by placing bids and offers into the AIL OTF. The orders can then be matched electronically or by voice.

2.2 AIL OTF Rulebook

All orders and transactions executed on the AIL OTF will be subject to the AIL OTF Rulebook and this Policy. The AIL OTF Rulebook sets out rules governing processes and trading, transparent rules and procedures for fair and orderly trading and the circumstances in which instruments can be suspended from trading.

Block trades executed under the rules of the relevant regulated market will not take place on the AIL OTF and will not be subject to the AIL OTF Rulebook (please refer to Section 3 for those instruments)

2.3 OTF Products

Products to be admitted to trading on the AIL OTF are commodity derivatives. Several OTF Products, physically settled gas and power transactions benefit from the "REMIT carve-out" in accordance with MiFID II, annex 1, section C6 ("REMIT Products") and are therefore carved out from the requirements set forth in MiFID and are therefore not within scope of this Policy.

2.4 OTF Clients

An OTF Client is a Client of AIL's OTF admitted in accordance the AIL OTF Rulebook, such a person can submit orders to the AIL OTF where access has not been terminated. OTF Clients will be classified as Eligible Counterparties, or Professional Clients. Typical clients are utilities, producers, and wholesale energy companies, including commodity traders providing risk management services. OTF Products are not available to Retail Clients.

2.5 Specific Instructions

Where the client provides AIL with a specific instruction in relation to the entire order, or any element of the order, including an instruction for the trade to be executed on AIL's OTF, AIL will execute the order in accordance with those instructions so far as is reasonably possible. Where AIL follows client's instructions, AIL will be deemed to have taken all reasonable steps to provide the best possible result for that client.

You acknowledge that when instructing AIL, you must provide fair, clear and not misleading information.

2.6 Execution factors

In executing Client orders, AIL will consider the following factors in deciding how to execute the order, to the extent consistent with any specific Client instructions received. The execution factors are:

- i. Price;
- ii. Characteristics of the Client;
- iii. Costs;
- iv. Speed of execution and settlement;
- v. Likelihood of execution and settlement;
- vi. Size, nature, and characteristic of the order; and
- vii. Any other consideration relevant to the execution of the order.

In respect of OTF Products, factors such as speed, price, likelihood of execution and settlement will be critical as the contracts are often illiquid and bespoke. Based on the information provided by the OTF Client, AIL will determine the execution factors that may be more important than price and costs in obtaining the best possible result.

In determining the importance of execution factors, AIL will also consider the characteristics of the OTF Client, including:

- i. Approved counterparties, as provided by the Client
- ii. Credit availability
- iii. The market and financial instruments
- iv. Tenor.

The applicability of, and importance attached to each execution factor will vary according to the type of transaction that is being executed and the instructions given to us.

The rules detailing client order types and discretion used by AIL in executing trades on AIL's OTF are set out in the Rulebook.

2.7. Use of Discretion

AIL's brokers utilise discretion when allowing the placing and removing orders on the AIL OTF. Brokers operating an OTF platform provide both order discretion (the choice whether to place or retract orders) and execution discretion (the choice whether to match orders). Operationally, AIL will set through the trading platforms a level of discretion applied to the 'screen' which counterparties can and cannot match, based upon certain criteria. Below are examples, but not exhaustive, of how AIL will apply discretion.

(i) Order Discretions

A broker has full discretion to decide how and when to cross, arrange or facilitate client orders using the voice or screen system or a hybrid of both. A broker may exercise discretion in matching only part of an order, or work an order 'all or none', or, for example, a "good for day" order, in which the broker will work the order at the best possible price during the relevant trading day. Once the transaction price, volume and terms have been agreed, the deal is concluded, and the counterparties' names are disclosed. AIL will step away from the transaction. The transaction is then subject to the terms of the relevant master agreement between the parties providing the detail around the physical settlement into the counterparty's balancing and settlement account, or in the case of financial settlement, providing payment details.

Details of order types (i.e. good for the day, good till date, etc) are set out in the AIL's OTF Rulebook.

(ii) Execution Discretion

The broker has discretion over whether to match potential matching orders in the system. AIL must comply with the client facing rules when operating the OTF, such as best execution and any client instructions. Simply adhering to client instructions does not require AIL to exercise discretion, but when providing arrangement services for a particular order AIL will exercise discretion in deciding if, when and how much of a particular order should be matched. Discretion will be always exercised on the best interest of the clients and market integrity.

AIL will take several considerations into account when exercising discretion including, but not limited to, lot size, speed, timing, market price, market impact, liquidity, and any client instructions.

(iii) Discretion as to Trading Model

There are two methods to broking, namely, voice and screen broking. Voice trades occur outside of a technology platform, typically verbally agreed between the broker and the client and screen trades occur via a technology platform. AIL will offer clients the hybrid model, incorporating both voice and screen brokerage. Deciding whether to utilise one system over the other will be typically at the discretion of the broker, or client trader, depending on the order type, quantity, counterparty eligibility, liquidity, market volatility and other market factors. This is an example of an OTF operator utilising "execution" discretion, when deciding how best to place a client order. When offering brokerage services in C5 and C6 instruments,

2.8. Pricing Formation

AIL's OTF Products are not comparable with exchanged traded products, such as equities, for whom prices are transparent. OTF Products are often illiquid and bespoke, the Brokers will assess several sources to ascertain appropriate and fair prices for the OTF Products listed, including prices provided by utilities, benchmarking to historical settlement prices for similar or comparable exchange traded products, and obtaining market data from market participants. AIL Brokers will use professional judgement and experience to determine appropriate prices based on factors specific to each OTF Product.

AIL will not hold propriety positions in any OTF Products and does not make prices.

2.9 Pricing Policy

AIL's OTF will charge OTF Clients in accordance with the OTF Pricing Schedule, that is designed to facilitate price discovery, liquidity, an orderly market, and fair participation for all AIL OTF Clients. AIL OTF will not receive any third-party payments in relation to its OTF business.

2.10 Publication of execution data

On a quarterly basis, AIL will publish on www.arraco.com a report on execution quality in accordance with requirements set out in RTS 27.

3. BLOCK FUTURES

In addition to operating an OTF, AIL will act as pre-arranger of Block Cleared transactions (i.e., Block Futures). When doing so, AIL act a non-clearing broker partner of each Regulated Market ('exchange'). When AIL pre-arranges block futures it will do so under the rules of the Regulated Market. In this context AIL will act as introducing broker only (i.e., reception and transmission of client order).

3.1. Regulated Markets

AIL is currently a non-clearing member of the following Regulated Markets:

Exchange	Exchange Code	Jurisdiction	Regulatory Status
European Energy Exchange AG	EEX	Germany	The Saxon State Ministry for Economic Affairs, Labour and Traffic (Sächsisches Staatsministerium für Wirtschaft, Arbeit und Verkehr), Wilhelm-Buck-Straße 2 in 01097 Dresden is the Exchange Supervisory Authority.
ICE Futures Europe	ICE	UK	Financial Conduct Authority.
NASDAQ OMX Tallinn Aktsiaselts	NASDAQ	Estonia	Estonian Financial Supervision Authority (EFSA).
Mercado Español de Futuros Financieros	MEFF	Spain	MEFF is subject to oversight by Spain's financial authorities - the Spanish securities markets regulator, or CNMV, and the Ministry of Economy and Finance.
Bolsas y Mercados Españoles (Spanish Stock Exchange)	BME	Spain	The Comisión Nacional del Mercado de Valores (CNMV) acts as the supervisory body for BME.
HUDEX Hungarian Derivative Energy Exchange	HUDEX	Hungary	The Central Bank of Hungary.
Singapore Exchange	SGX	Singapore	SGX is regulated by the MAS in the performance of its role as a front-line regulator and operator of the securities and derivatives markets.

When AIL pre-arranges a transaction, it will notify the interested counterparties as to on which Regulated Market the particular bid or offer occurs. When AIL pre-arranges a transaction it does so under the rules and regulations beholden to AIL by the Regulated Market.

3.2. AIL clients relating to Block Futures

AIL can only pre-arrange for clients that are approved by a particular Regulated Market on the basis that their trades can only be executed and processed by the Regulated Market if they have the ability to do so.

3.3. Pre-arrangement of Block Futures

AIL will use a combination of Voice and Screen broking should a screen exist in that given market.

When a client (i.e., Client A) informs AIL that it has an interest to buy or sell a particular block future, it will notify AIL of the price, quantity and direction. AIL's brokers will then take that indication and work to communicate with all its other clients to identify further buy or sell interests, keeping the original interested client informed of any counter interests, or interests that lie in the same direction. AIL will continue to relay the interests to the market / around AIL's client base, until either the order is filled, the spread improved or the client loses interest and declares them 'off' that particular interest.

In the event AIL finds an opposing indication of interest (client B), they will then show that indication to client A, giving Client A first refusal on Client B's price level and quantity. If neither party will agree or improve, the broker will then (with confirmation of the client) show both Client A and Client B's indications of interest to the remaining client base to either close a deal or improve the bid / offer spread.

When a pre-arrangement is found, AIL will notify both clients that a pre-arrangement match has been found. As these are block futures, no name of counterparty is provided to the opposing counterparty.

The transaction is not 'executed' or 'concluded' until it has been accepted and executed by the Regulated Market. Until this point AIL is just managing indications of intent to buy and sell.

AIL do not make, take or hold any positions in pre-arranging block futures. If issues with clearing or trades occur, the deals pre-arranged are only pre-arranged, done so under the rules of the regulated market – if they cannot clear correctly for whatever reason, the pre-arrangements are cancelled within the rules of the regulated market.

AIL will not be involved in the execution or settlement of the Block Futures that it pre-arranges. Once the pre-arrangement has been sent to the Regulated Market and executed by the Regulated Market, counterparties then settle directly via the Central Clearing house associated with that Regulated Market.

3.4. Execution factors

When pre-arranging block futures, AIL will consider the following factors, to the extent consistent with any specific Client instructions received.

- i. Price;
- ii. Characteristics of the Client;
- iii. Costs;
- iv. Speed of execution and settlement;
- v. Likelihood of execution and settlement;
- vi. Size, nature, and characteristic of the order; and
- vii. Any other consideration relevant to the execution of the order.

The applicability of, and importance attached to each execution factor will vary according to the type of transaction that is being executed and the instructions given to us.

Where the client provides us with a specific instruction in relation to the entire order, or any element of the order, including an instruction for the trade, AIL will receive and transmit the order in accordance with those instructions so far as is reasonably possible. Where AIL follows client's instructions, AIL will be deemed to have taken all reasonable steps to provide the best possible result for that client.

3.5. Publication of execution data

In accordance with RTS 28, the following information will be published annually on www.arraco.com in respect of block futures:

- a) the top five execution venues where client orders in respect of each class of Financial Instrument have been executed during the preceding year;
- b) a summary on the quality of execution obtained will be published on www.arraco.com.

4. MONITORING

AIL will monitor compliance with this Policy and will regularly review the effectiveness of its order execution arrangements.

AIL shall review this Policy and best execution arrangements at least annually. Such a review shall also be carried out whenever a material change occurs that affects AIL's ability to continue to obtain the best possible result for clients. AIL will notify clients of any material changes to its order execution arrangements and this Policy. A material change shall be a significant event that could impact parameters of best execution such as cost, price, speed, likelihood of execution and settlement, size, nature, or any other consideration relevant to the execution of the order

5. CONSENT

The Policy is made available to clients and a client will be deemed to provide such prior consent when giving us any order subject to this policy.