

VARIANSE

ELECTRONIC TRADING. **ELEVATED**

1. Purpose

This document sets out VARIANSE a trading name of VDX Limited (hereafter “VDX”, “VARIANSE” or “the Firm”) best execution and order handling policy in accordance with the regulatory requirements of the Financial Conduct Authority (“FCA”), as set out in the Conduct of Business Sourcebook (“COBS”) and also in relation to Markets in Financial Instruments Directive 2014/65/EU and related secondary and implementing legislation, including without limitation the MiFID II Delegated Regulation 2017/565 (“MiFID II”). It additionally outlines those financial instruments in scope as laid out in MiFID II and the trading venues used by the firm.

2. Outline

MiFID II requires firms to “take all sufficient steps to obtain, when executing orders, to obtain the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order on a consistent basis”. This is known as Best Execution.

VARIANSE places its customers at the core of its company ethos, therefore it shall always endeavour to operate in the best interests of its clients and seek to achieve the best possible result when executing client orders. The Firm shall take into account the characteristics of its clients, including their MiFID client categorisation, order and instruments characteristics, along with the Execution Venues to which orders are directed.

When passing client orders to other entities for execution, VARIANSE acts in accordance with the best interests of its clients. Aside from the explicit order execution rules explained in this policy, the Firm has an overriding duty to act honestly, fairly and professionally in accordance with the best interests of its clients. It is under this duty that, even for activities or products that are technically outside of the Firm’s order execution regime, VARIANSE endeavours to act in the best interests of our clients.

This policy establishes and implements VARIANSE’s arrangements in place to meet its best execution and order allocation obligations.

The directors of VARIANSE shall review this policy at least annually, or upon any material changes to the operations of the business or regulatory environment in which VARIANSE conducts business.

3. Scope

3.1 Eligible Financial Instruments

Best execution is required where an instrument is classed as a MiFID II financial instrument.

Please refer to Appendix 2 for a list of the applicable financial instruments subject to this policy.

3.2 Activities

VARIANSE has a duty to obtain the best possible execution result for its clients in the following scenarios:

- when VARIANSE receives an order and transmits it to another entity for execution or executes it itself. Where a duty of best execution is owed, in accordance with MiFID II and COBS, VARIANSE will take all sufficient steps to obtain the best possible result for its clients (both when executing or placing/transmitting orders for execution), taking into account the execution factors set out in Section 5.1

- when VARIANSE provides the service of dealing as agent in financial instruments on behalf of its clients and executes or places orders with third parties for execution.

3.3 Clients

Only VARIANSE's clients that have been categorised as Retail or Professional will be in scope of the Best Execution provisions of this policy. VARIANSE does not owe an obligation to achieve Best Execution for clients categorised as Eligible Counterparties. Accordingly, VARIANSE will not necessarily apply this Order Execution Policy in transactions entered into with eligible counterparties, unless it is agreed otherwise. VARIANSE will, however, act honestly, fairly and professionally in our relationships with eligible counterparty clients.

All clients will have received a formal notification from the Firm of their client categorisation.

Refer to Appendix 2 for an explanation of the client categories under COBS and MiFID II.

3.3.1 Retail clients

When dealing directly with retail clients, there is a regulatory assumption that retail clients rely on us to protect their interests, hence the order execution rules below apply. To act in the client's best interests, we apply our order execution processes to all trades undertaken on behalf of retail clients.

3.3.2 Professional clients

When dealing with professional clients, we provide order execution obligations in all circumstances where we have agency or contractual obligations with the client.

4. Legitimate reliance

The key consideration as to whether best execution requirements are applicable for a given order is whether the client 'legitimately relies on the firm to protect his or her interests in relation to the pricing and other elements of the transaction – such as speed or likelihood of execution and settlement – that may be affected by the choices made by the firm when executing the order'. The subsequent subsections detail the considerations to determine whether legitimate reliance by a client upon VARIANSE exists. The below considerations have been referred to by the Financial Conduct Authority in the UK as the 'four-fold legitimate reliance test' and for ease of reference shall be referred to as such throughout this policy (the "four-fold test").

4.1 The four-fold test

4.1.1 Transaction initiation

Where a client initiates a transaction, this suggests that it is less likely that the client will be placing reliance on VARIANSE. VARIANSE may communicate market opportunities or indicative prices to the client as part of its general relationship, however this is not considered to be deemed to have initiated the transaction.

4.1.2 Market Practises

Shop around – where the market practice suggests that the client takes responsibility for the pricing and other elements of the transaction and the market practice is to obtain quotes from various sources, it is less likely that the client will be placing reliance on VARIANSE.

4.1.3 Transparency levels

Relative levels of transparency within a market – if VARIANSE have ready access to prices in the market in which it operates, whereas the client does not, it is more likely that the client will be placing reliance on VARIANSE, whereas if access to pricing transparency is broadly equivalent, it is less likely that the client will be placing reliance on VARIANSE.

4.1.4 Information provided

Information provided by VARIANSE and the terms of its agreements with clients – where the firm's arrangements and agreements with the client (such as its terms of business/client agreement and this policy) commit it to execute orders with the best possible result, this may not however, be in terms of total consideration and it may be less likely that the client will be placing reliance on the firm.

5. Execution factors

Generally, VARIANSE will regard price as the most significant factor in the execution of a client's order. There may, however, be circumstances where other Execution Factors should be prioritised over price. In taking all sufficient steps, VARIANSE's staff will use their commercial judgement and experience in light of available market information to achieve the best balance across a range of sometimes conflicting factors. This does not mean achieving the best price for every client order, but the most favourable result that can reasonably be expected given the resources available to staff at that time.

In determining the "price" of a financial instrument, VARIANSE will take into account a number of considerations including market parameters (i.e. the price at which a financial instrument may be trading on a regulated market or other trading venue, taking into account liquidity on that trading venue), valuation models, the risks incurred by the firm from entering into transactions and the capital requirements resulting from those transactions.

When executing a client order, VARIANSE will take into account the following criteria for determining the relative importance or weighting of the execution factors -

- the characteristics of the client
- the size and nature of the client order
- the nature of financial instruments that are the subject of that order
- the characteristics of the execution venues to which that order can be directed
- the client's MiFID categorisation

The execution factors VARIANSE prioritises may change at any given time in order to ensure that it obtains the best possible result for its clients.

Pursuant to Article 27(1) of MiFID II, as set out in COBS 11.2A.9, VARIANSE must determine the best possible result on behalf of a retail client in terms of 'total consideration'. Total consideration includes representing the price of the financial instrument and the costs related to execution. The firm shall hence include within its consideration all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

Please Refer to Appendix 5 for a list of the execution factors prioritised per financial instrument.

5.1 The factors

The relevant factors VARIANSE will take into consideration to obtain the best possible result for its clients include, though are by no means limited to:

Price – Achieving execution of a given order at the best possible price.

Cost – When executing, due consideration should be given to achieving the best cost to the customer, taking into account any potential venue charges (including currency conversion, clearing and settlement costs)

Speed – Orders should be executed as early as possible following the receipt of the order unless a better execution could be achieved by delay. In such cases, this will be communicated to the customer in writing.

Likelihood of execution and settlement – When an order is placed, consideration should be given to the likelihood of execution and the subsequent settlement factors of the trade.

Size – Consideration should be given to the size of an order. Best execution may be contingent on the liquidity of the current market along with acceptable minimum and maximum trade sizes. It is possible that a smaller sized order may not be fulfilled at the best price currently available as a result of these dynamics. It is also possible that a larger sized order may equally not be filled at the best price currently available due to its size. In the event that a larger order cannot be filled at the best price due to its size, it may need to be broken down into smaller orders. Under such circumstances, VARIANSE will be communicate this intention to the client on receipt of the order.

Liquidity – Due consideration should be given to general market liquidity when an order is received. Correspondingly, any potential increase or decrease in future liquidity which may impact the ultimate execution of an order must be taken into consideration.

Venue – Where otherwise not pre-specified, consideration should be given as to the most appropriate venue to execute a given order on. Pre-specified execution venues must be monitored and reviewed to ensure they remain appropriate to the client and financial instruments concerned.

Limit Orders – Where a client instructs VARIANSE to execute an order within a given range up to, or down to, a specified predetermined limit, we must ensure that best execution is given to obtain the best fill within the range.

Order prioritisation – Pursuant to the FCA's Client Order Handling rules stipulated in COBS 11, orders should be executed sequentially.

Derived prices – The nature of a counter bid or offer to an order given by a client may, in some markets, be a derived counter i.e. a bid or an offer that is dependent on external factors such as the corresponding leg of a spread or a 'fly'. In these cases, execution of such an order will be dependent on factors not within the control of the firm and this will be relayed to the customer before execution.

Generic external data – Consideration should be given to any external political, micro or macro-economic data that is due to be published ahead of executing a given order. Under such circumstances, VARIANSE will inform the client of any potential price moves due to such publications and offer the opportunity to execute immediately where possible, or delay execution until the specific market traded within has been impacted by the data. Data in question will include, but is not limited to, publications or decisions by relevant regulatory bodies such as ESMA or the FCA, trade, unemployment, inflation, or growth figures, company results, credit downgrades or upgrades data.

Instrument specific data – Consideration should be given to any instrument-specific data due to be published or published during the execution of an order. In such situations, VARIANSE should make the customer aware of any potential price moves caused by such publications and offer the chance to execute, if possible immediately, or delay until the data published has impacted the specific instrument. Examples of instrument-specific data include, though is not limited: new issuances, instrument pricing, taps/increases in the size of a current instrument.

6. Trading and execution venues

VARIANSE may use different Trading Venues in order to "Trading Venue" refers to the one of the following:

- A Regulated Market ('RM')
- A Multilateral Trading Facility ('MTF')
- An Organised Trading Facility ('OTF')
- Equivalent third-country markets
- Equivalent third-country facilities/platforms (e.g. a Swap Execution Facility)

“Execution Venue” refers to one of the following:

- A Trading Venue.
- A Systemic Internaliser (“SI”)
- A Market Maker
- Other Liquidity Providers
- Third-country firms performing a similar function

A list of Venues where significant reliance is placed, can be found in Appendix 4

7. Order handling

7.1 Order types

Below are examples of “order types” VARIANSE may execute and how the firm will deal with them.

7.1.1 “Fixing” order

Where a client sends an order for execution at a reference price defined by a market fixing (such as a “Close” auction), which VARIANSE agrees to accept, but without guaranteeing to fill that order, it shall endeavour to fill the order at the fixing price published by the market by participating in the fixing or auction mechanism whilst strictly respecting any limit price specific by the client.

7.1.2 “Price level” order

If VARIANSE accepts a “price level” order or a “limit price order”, it shall only fill the order when it perceives that the particular price level has been reached (unless agreement to a different formulation for determining when the price level has been triggered has been established). If VARIANSE decide to fill the client’s order by going into the market, it will only fill the order once the price and quantity is available, fully or partially.

7.1.3 “At market” order

Where a client submits an order but does not specify a price level, limit price or price determination mechanism or a specific time of execution, VARIANSE shall, unless otherwise agreed with the client, accept such order as an “at market” order. In such circumstances, the firm shall endeavour to fill that order as soon as reasonably practicable after the order is accepted and in accordance with our best execution obligations.

7.1.4 “At best” order

Where a client submits an “at best” order and does not specify a price level, limit price, or price determination mechanism or a specific time of execution, VARIANSE shall, unless otherwise agreed with the client, endeavour to fill that order as soon as reasonably practicable after the order is accepted and in accordance with best execution obligations at first price level in the market.

7.1.5 “Stop” order

When sending “stop” order, a client must specify the price level at which the order is to be triggered and the time for which the order will remain valid. The “stop” order will be triggered when market conditions permit execution.

VARIANSE may not support Stop Orders on all markets.

When a “stop” order has been triggered, and the order becomes an “at market” order, VARIANSE do not, unless otherwise agreed, guarantee that the order will be filled at the “stop” level.

The firm disclose that it will undertake transactions in the market that it determines in its discretion as appropriate to assist in managing risk and/or to enable it to fill the “stop” order.

VARIANSE will not enter into transactions designed to trigger the relevant price level and have procedures in place in order to minimise that risk.

7.1.6 Request for Quote (“RFQ”)

Dealing on a Request for Quote (“RFQ”) basis occurs when a client requests a quote from a firm or group of firms and then chooses to execute the trade at the price quoted or reject the price and decline to trade.

Under RFQ scenarios, the client is responsible for discerning whether the price they are offered is the best price therefore VARIANSE is not usually required to ensure best execution in RFQ oriented transactions, unless however VARIANSE have assessed that legitimate reliance is being placed on the firm in line with the criteria outlined in section 4 hence In those cases best execution will apply when dealing on an RFQ basis.

Where VARIANSE feels that legitimate reliance has not been placed on the firm, the responsibility for best execution in these transactions will lie with the client unless a client advises the firm to the contrary.

7.1.7 Specific instructions

A client may provide VARIANSE with a specific instruction in relation to an order, or aspects of the order. Under such circumstances, the firm will endeavour to obtain the best result possible, however, the specific instruction may impede VARIANSE’s ability to provide Best Execution.

Specific instructions that may impede VARIANSE’s ability to provide Best Execution include, but are not limited to:

- dealing on a specific venue regardless of a better price elsewhere
- where an order is requested to be executed at a specific time in the future, regardless of a better fill being available before; and
- where a specific size is requested to be executed, regardless of the price.

VARIANSE will ensure that if a specific instruction in relation to an order or aspects of an order prevents it from providing Best Execution, that the client is notified that this is the case prior to any action being taken by VARIANSE.

7.2 Aggregation and allocation

Pursuant to the FCA’s client order handling rules, VARIANSE will not aggregate a client order with another client order unless the following conditions are met:

- It is likely that the aggregation will not work to the overall disadvantage of any client whose order is to be aggregated;
- It has been disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order (as disclosed in the firm’s Client Agreement); and
- An order allocation policy has been established and effectively implemented, providing in for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions (see below for details of VARIANSE’s order allocation policy).

The way in which client orders which are aggregated are allocated is dependent on numerous factors.

For full execution of aggregated orders where orders are aggregated and the execution of the full amount of the aggregated order occurs, each order will be satisfied in full at the average price of the executed transaction.

For partial execution of aggregated orders, VARIANSE will allocate trades in a manner that is fair to all clients. Execution will be allocated to each client at the average price of the execution and on a pro-rata basis in relation to the quantity of each client's original order.

Should a different allocation of orders be more appropriate than the aforementioned this will be preauthorised by the Compliance Officer.

7.2.1 Comparable orders

Comparable client orders communicated to VARIANSE in the same form will be carried out sequentially and all client orders handled in a timely fashion, unless the characteristics of the order or prevailing market conditions make this impracticable, or the interest of the client require otherwise.

7.3 Orders transmission to external brokers

VARIANSE may transmit an order it receives from a client for execution to an external entity, such as a third-party broker unless given a specific instruction not to. In such circumstances, VARIANSE will continue to act in accordance with the client's best interests by taking into account all relevant execution factors and criteria specified for best execution specified in this policy. VARIANSE will only transmit orders to brokers which have execution arrangements that enable VARIANSE to continue to satisfy its execution obligations to clients when transmitting orders.

VARIANSE will regularly review its choice of and arrangements with brokers in order to ensure that the quality of execution remains commensurate with its responsibilities regarding execution.

7.4 Payment for Order Flow

Payment for Order Flow is the practice, when executing client orders, of receiving commission from both the client originating the order (including Orders where commission is due from the Client but waived) and from a market-maker with which the Order is executed. VARIANSE will not enter into any Payment for Order Flow arrangements and will not receive any remuneration, discount or non-monetary benefit for routing your orders to a particular Order Execution Venue.

8. Unwinding a position

Where the Firm is required to unwind a position (for example, where a client is in default under a contractual obligation) we will not owe that client a duty of best execution in relation to trades undertaken for these purposes.

9. Consent

VARIANSE is required to obtain consent from its clients to this Policy. Consent is provided by the client as part of the on-boarding process. Where consent has been given, VARIANSE considers it express consent to execute client orders in accordance with this policy where VARIANSE believes that doing so will achieve the best possible result. Clients will also be deemed to have consented to this policy when an order to execute a transaction is given in any financial instrument or trade with us.

10. Monitoring

VARIANSE will monitor the effectiveness of its order execution arrangements and Best Execution and Order Handling Policy in order to identify and, where appropriate, make any amendments.

The firm will assess, on a regular basis, whether the execution venues included in Appendix 4 provide for the best possible result for our clients or whether we need to make changes to our execution arrangements.

This policy will be reviewed at least annually or upon a material change that affects VARIANSE's ability to meet its Best Execution obligations on a consistent basis using the venues included in the policy.

11. Reporting

VARIANSE will publish data relating to the quality of execution on a quarterly basis and the top five venues, in terms of trading volumes per MiFID Financial Instrument, on an annual basis. These reports will be accessible via the firm's website.

Appendix 1. Definitions

Term	Definition
Investment firm	Any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis
Execution venue	A Regulated Market, MTF, OTF, SI, Market Maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing
Execution on behalf of clients	Acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients and includes the conclusion of agreements to sell financial instruments issued by an investment firm or a credit institution at the moment of their issuance
Execution factors	Account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order
Limit orders	An order to buy or sell a financial instrument at its specified price limit or better and for a specified size
Regulated market	A multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly
Multilateral Trading Facility (MTF)	A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract
Organised Trading Facility (OTF)	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
Systematic internaliser	An investment firm which on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system. The frequent and systematic basis shall be measured by the number of OTC trades in the financial instrument carried out by the investment firm on own account when executing client orders. The substantial basis shall be measured either by the size of the OTC trading carried out by the investment firm in relation to the total trading of the investment firm in a specific financial instrument or by the size of the OTC trading carried out by the investment firm in relation to the total trading in the Union in a specific financial instrument.
Market maker	A person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against that person's proprietary capital at prices defined by that person

Liquid market	<p>Market for a financial instrument or a class of financial instruments, where there are ready and willing buyers and sellers on a continuous basis, assessed in accordance with the following criteria, taking into consideration the specific market structures of the particular financial instrument or of the particular class of financial instruments:</p> <p>a. the average frequency and size of transactions over a range of market conditions, having regard to the nature and life cycle of products within the class of financial instrument;</p> <p>b. the number and type of market participants, including the ratio of market participants to traded instruments in a particular product;</p> <p>c. the average size of spreads, where available</p>
Trading venue	A regulated market, MTF or OTF
Client	Any natural or legal person to whom VARIANSE provides an investment or ancillary service to
Retail client	A client who is not a professional client
Professional client	Professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incur, and meets criteria laid out in Appendix 3
Eligible counterparty	Investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorised or regulated under Union law or under the national law of a Member State, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organisations

Appendix 2. Financial Instruments

Financial Instruments

Under MiFID II, transactions executing client orders in specific financial instruments are within the scope of this policy. The applicable instruments to which VARIANSE executes client orders are:

- Transferable securities
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event
- Financial contracts for differences.

Appendix 3. Client Categorisation

Client Categorisation

(FCA Handbook COBS 3)

Each potential client must be classified into one of three categories recognised by the FCA – retail client, professional client or eligible counterparty. Retail Clients will have the least investment experience and the regulators require them to be afforded the highest level of protection. Clients may have a different categorisation for different types of investment business. VARIANSE is authorised to deal with Retail Clients, Professional Clients and Eligible Counterparties.

The categorisation given to clients must be reviewed at least annually to ensure the categorisation remains appropriate having regard to the designated investment business we are conducting with them. Where we have not conducted any designated investment business with a client during the previous 12 months, this review may be deferred until the next time we conduct designated investment business with or for the client.

Retail Clients

This is any client who is not categorised as a Professional Client or an Eligible Counterparty.

Professional Clients

Per Se Professional Clients

Each of the following is a per se professional client unless and to the extent it is an eligible counterparty.

1. an entity required to be authorised or regulated to operate in the financial markets. The following list includes all authorised entities carrying out the characteristic activities of the entities mentioned, whether authorised by an EEA State or a third country and whether or not authorised by reference to a directive:
 - a) a credit institution;
 - b) an investment firm;
 - c) any other authorised or regulated financial institution;
 - d) an insurance company;
 - e) a collective investment scheme or the management company of such a scheme;
 - f) a pension fund or the management company of a pension fund;
 - g) a commodity or commodity derivatives dealer;
 - h) a local; and
 - i) any other institutional investor;
2. in relation to MiFID or equivalent third country business, a large undertaking meeting two of the following size requirements on a company basis:
 - a) balance sheet total of EUR 20,000,000;
 - b) net turnover of EUR 40,000,000; and
 - c) own funds of EUR 2,000,000;
3. in relation to business that is not MiFID or equivalent third country business, a large undertaking meeting either of the following conditions:
 - a) a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) called up share capital of at least £10 million (or its equivalent in any other currency at the relevant time);
 - b) a large undertaking that meets (or any of whose holding companies or subsidiaries meets) two of the following tests:
 - I. a balance sheet total of EUR 12,500,000;
 - II. a net turnover of EUR 25,000,000; and

- III. an average number of employees during the year of 250;
4. a national or regional government, a public body that manages public debt, a central bank, an international or supranational institution (such as the World Bank, the IMF, the ECP, the EIB) or another similar international organisation; and
5. another institutional investor whose main activity is to invest in financial instruments (in relation to the firm's MiFID or equivalent third country business) or designated investments (in relation to the firm's other business). This includes entities dedicated to the securitisation of assets or other financing transactions.

Elective Professional Clients

VARIANSE may treat a client as an elective professional client if it complies with the following 1 and 3 and, where applicable, 2:

1. the firm undertakes an adequate assessment of the expertise, experience and knowledge of the client that gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the client is capable of making his own investment decisions and understanding the risks involved (the "qualitative test");
2. in relation to MiFID or equivalent third country business, in the course of that assessment, at least two of the following criteria are satisfied:
 - a) the client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
 - b) the size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments, exceeds EUR 500,000; and
 - c) the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged (the "quantitative test").
3. the following procedure is followed:
 - a) the client must state in writing to the firm that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
 - b) the firm must give the client a clear written warning of the protections and investor compensation rights the client may lose; and
 - c) the client must state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protections.

If the client is an entity, the qualitative test should be performed in relation to the person authorised to carry out transactions on its behalf.

The fitness test applied to managers and directors of entities licensed under directives in the financial field is an example of the assessment of expertise and knowledge involved in the qualitative test.

Before deciding to accept a request for re-categorisation as an elective professional client, VARIANSE must take all reasonable steps to ensure that the client requesting to be treated as an elective professional client satisfies the qualitative test and, where applicable, the quantitative test.

An elective professional client should not be presumed to possess market knowledge and experience comparable to a per se professional client.

Professional clients are responsible for keeping the firm informed about any change that could affect their current categorisation.

If a firm becomes aware that a client no longer fulfils the initial conditions that made it eligible for categorisation as an elective professional client, the firm must take the appropriate action.

Where the appropriate action involves re-categorising that client as a retail client, the firm must notify that client of its new categorisation.

Local Public Authorities or Municipal Authorities

Local authorities and municipal authorities are no longer automatically categorised as professional clients. Firms should therefore always assess a local public authority or municipality against the aforementioned quantitative and qualitative tests to discern whether they may be able to elect to become a professional client.

Per Se Eligible Counterparties

Each of the following is a per se eligible counterparty (including an entity that is not from an EEA State that is equivalent to any of the following) unless and to the extent it is given a different categorisation under this chapter:

- an investment firm;
- a credit institution;
- an insurance company;
- a collective investment scheme authorised under the UCITS Directive or its management company;
- a pension fund or its management company;
- another financial institution authorised or regulated under European Community legislation or the national law of an EEA State;
- an undertaking exempted from the application of MiFID under either Article 2(1)(k) (certain own account dealers in commodities or commodity derivatives) or Article 2(1)(l) (locals) of that directive;
- a national government or its corresponding office, including a public body that deals with the public debt;
- a central bank; and
- a supranational organisation.

For the purpose of COBS 3.6.2R(6), a financial institution includes regulated institutions in the securities, banking and insurance sectors.

Elective Eligible Counterparties

VARIANSE may treat a client as an elective eligible counterparty if:

1. the client is an undertaking and:
 - a) is a per se professional client (except for a client that is only a per se professional client because it is an institutional investor under COBS 3.5.2R(5)); or
 - b) requests such categorisation and is an elective professional client, but only in respect of the services or transactions for which it could be treated as a professional client; and
2. the firm has, in relation to MiFID or equivalent third country business, obtained express confirmation from the prospective counterparty that it agrees to be treated as an eligible counterparty.

The categories of elective eligible counterparties include an equivalent undertaking that is not from an EEA State provided the above conditions and requirements are satisfied.

VARIANSE may obtain a prospective counterparty's confirmation that it agrees to be treated as an eligible counterparty either in the form of a general agreement or in respect of each individual transaction.

Appendix 4. Execution Factor Prioritisation

Prioritisation of Execution Factors

Asset class	Execution factor priority	Explanation
Equities – shares and depositary receipts	<ol style="list-style-type: none"> 1) Price 2) Cost 3) Speed 4) Likelihood of execution and settlement 5) Size 6) Nature 7) Any other consideration relevant to the execution of the order 	<p>There may be scenarios where the priority of execution factors will change for example: due to a lack of liquidity on a particular venue or across venues where likelihood of execution and speed will become more important; where volume discovery is the primary purpose of the order as opposed to price discovery where size will be more significant</p>
Futures, Options & Derivatives	<ol style="list-style-type: none"> 1) Price 2) Cost 3) Speed 4) Likelihood of execution and settlement 5) Size 6) Nature 7) Any other consideration relevant to the execution of the order 	<p>Pursuant to Article 27(1) of Directive 2014/65/EU, for Retail Clients, the best possible result will be the total consideration, which would include the price of the Financial Instrument and the costs related to its execution.</p>
Contracts for Difference	<ol style="list-style-type: none"> 1) Price 2) Cost 3) Speed 4) Likelihood of execution and settlement 5) Size 6) Nature 7) Any other consideration relevant to the execution of the order 	<p>Pursuant to Article 27(1) of Directive 2014/65/EU, for Retail Clients, the best possible result will be the total consideration, which would include the price of the Financial Instrument and the costs related to its execution. There may be scenarios where the priority of execution factors will change for example where market volatility increases significantly and hence a lack of liquidity occurs, in this case Likelihood of execution and settlement may be given a higher importance and priority.</p>
Foreign exchange	<ol style="list-style-type: none"> 1) Price 2) Cost 3) Speed 4) Likelihood of execution and settlement 5) Size 6) Nature 7) Any other consideration relevant to the execution of the order 	<p>Pursuant to Article 27(1) of Directive 2014/65/EU, for Retail Clients, the best possible result will be the total consideration, which would include the price of the Financial Instrument and the costs related to its execution.</p> <p>Speed will also have high importance, whereas likelihood of execution will have medium to high importance.</p>

Appendix 5. Execution Venues

Execution venues

The Firm will summarise and make public on an annual basis, for each class of financial instrument, the top five execution venues in terms of trading volumes, where it has executed client orders in the preceding year, together with information on the quality of execution obtained.