



Marex Spectron
Europe Limited:
OTF Order Execution
Policy for Professional
Clients

October 2022

Table of Contents

1. INTRODUCTION AND GENERAL OVERVIEW	3
2. ORDER EXECUTION.....	3
3. REGULATORY REPORTING.....	7
4. MONITORING AND REVIEW.....	9

1. INTRODUCTION AND GENERAL OVERVIEW

Marex Spectron Europe Limited (“MSEL”) is an investment firm authorised and regulated by the Central Bank of Ireland (“CBI”). MSEL’s CBI permissions include operating an Organised Trading Facility (“OTF”).

MSEL arranges transactions in commodity products on behalf of its clients using hybrid electronic and voice broking services. MSEL will operate the MSEL OTF as an OTF trading venue, offering a hybrid electronic and voice broking system, on a non-discriminatory basis to its OTF Clients. The asset classes that will be admitted to trading on MSEL OTF are:

- Commodity derivatives;
- Emission allowances; and
- Emission allowance derivatives,

and such other applicable products as MSEL OTF may determine from time to time. The full list of OTF Products that are admitted to trading on MSEL OTF at any time, will be available on the MSEL OTF page on the Marex website.

Under the Directive 2014/65/EU of the European Parliament and the Council of 15th May 2014 on Markets in Financial Instruments Directive II (“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 European Union (Markets in Financial Instruments) Regulations 2017, implementing MiFID II, each investment firm 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 OTF Clients either when executing client orders or receiving and transmitting orders for execution on the MSEL OTF taking into account the execution factors.

This Policy sets forth information relating to how MSEL OTF seeks to provide best execution as required by the rules of the CBI and MiFID II. In addition to detailing MSEL’s OTF best execution arrangements, this Policy also provides information for all MSEL OTF Clients regarding order types, pre-trade and regulatory reporting obligations by MSEL OTF. This Policy should be read in conjunction with the MSEL OTF Rulebook.

2. ORDER EXECUTION

2.2 MSEL is an operator of an Organised Trading Facility

MSEL operates an OTF as defined in Title 1, Article 4 of the Directive as a multilateral system and in which multiple third-party buying and selling interests in, inter alia, energy products, can interact in the system in a way that results in a contract in accordance with Title II of the Directive.

The MSEL OTF is a hybrid system bringing about potential transactions between multilateral client interests on a discretionary basis in the MSEL OTF System. The MSEL OTF System combines both an electronic trading system and a voice trading system. MSEL OTF Clients can select the electronic trading system or a voice trading system, or a combination of the two.

The electronic trading system is provided by Trayport as the electronic front-end system used by MSEL OTF Clients to place orders electronically in MSEL OTF. The OTF Electronic User Guide sets out the full details of how OTF Clients access and use Trayport.

The voice trading system will be provided by MSEL Brokers using telephone and electronic communication channels to contact OTF Clients in respect of orders and to receive orders from Clients.

However, by virtue of the fact that MSEL OTF is a hybrid system there is no clear delineation between the electronic trading system and the voice trading system in operation, as the electronic trading system permits interaction with the voice trading system allowing for broker intervention, voice entry and deal editing by MSEL Brokers. Accordingly, transactions may be executed by MSEL OTF in a hybrid fashion whereby a MSEL Broker can, at their discretion, use both the electronic trading system and/or voice trading system to arrange the transaction

When OTF Clients access the MSEL OTF they will be able to interact with other market participants (who are also clients of MSEL) directly to buy and sell OTF products by placing bid and offer voice or electronic orders to the MSEL OTF.

However, where MSEL arranges transactions between clients and the clients decide to formalise the transaction on a regulated market, including as a block trade, the transaction will not take place on MSEL OTF and will therefore not be subject to the MSEL OTF Rulebook.

2.2. MSEL OTF Rulebook

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

Where MSEL OTF suspends or removes any OTF Product from trading on MSEL OTF, MSEL OTF shall issue a Trading Notice making public such suspension or removal and notify the CBI of the suspension or removal.

2.3. OTF Products

Products to be admitted to trading on the MSEL OTF are commodity derivatives and emissions allowances and emission allowance derivatives. A number of OTF Products which are physically settled gas and power instruments, 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 of MIFID generally.

2.4. OTF Clients

An OTF Client is a Client of MSEL OTF admitted in accordance with Rule 3 of MSEL OTF Rulebook who can submit orders to the MSEL OTF and whose admission has not been terminated. OTF Clients will be classified as an Eligible Counterparty or Professional Clients (as defined under MiFID II). This Policy applies to MSEL OTF Professional Clients. MSEL OTF Clients are typically sophisticated users of the OTF Products, such as power utilities companies, power producers and wholesale electricity companies. OTF Products are not available to Retail Clients.

2.5. Client Instructions and Execution Factors

Order level

In accordance with Rule 7.4 of the OTF Rulebook, OTF Clients must specify whether their order is:

- (i) Good For Day;

- (ii) Good Till Date;
- (iii) Good Till Cancelled; or
- (iv) any other Order type specified as acceptable by MSEL OTF management from time to time.

“Good for Day” means an order which will be available for matching on MSEL OTF on the Business Day on which it is submitted; the order or any unmatched portions thereof remaining at the end of that Business Day will be cancelled automatically. “Good Till Cancelled” means an order which will be available for matching on MSEL OTF until cancelled. “Good Till Date” means an order which will be available for matching on MSEL OTF until the Business Day specified in the order.

Orders that do not comply with these requirements will be rejected.

Where a Client places an order for an OTF Product into the MSEL OTF System using the electronic trading system, provided that the order meets the requirements set out in Rule 7 of the OTF Rulebook, MSEL OTF does not have discretion to decide whether to place all or part the order on MSEL OTF or when to place the order. However, in accordance with Rules 7.4 and 7.7 of the OTF Rulebook, MSEL OTF management may delete orders to preserve market orderliness or cancel orders in whatever circumstances it deems appropriate, including where they decide that it is an erroneous trade. Therefore, there is an element of order level discretion available to MSEL OTF when OTF Clients are placing orders through the electronic trading system.

When an OTF Client uses the voice trading system to place an order in respect of an OTF Product with a MSEL Broker, the MSEL Broker does not have the discretion to determine whether to place the order on MSEL OTF or whether to place the whole order or just a portion of it on MSEL OTF. If the order relates to an OTF Product then it must be routed through the MSEL OTF. However, MSEL Broker does have discretion as to when to place the order in MSEL OTF provided that they are acting in accordance with this Policy. In addition, in accordance with Rules 7.4 and 7.7 of the OTF Rulebook, MSEL OTF management may delete orders to preserve market orderliness or cancel orders in whatever circumstances it deems appropriate, including where they decide that it is an erroneous trade. Therefore, there are elements of order level discretion available to MSEL OTF when OTF Clients are placing orders through the voice trading system.

When OTF Clients provide MSEL with specific instructions for the execution of orders MSEL will satisfy its best execution obligations when it executes the order or a specific aspect of such order pursuant to those instructions, which will include placing the order relating to an OTF Product into MSEL OTF using the OTF System.

Execution Factors

In executing OTF Client orders, MSEL OTF will consider the following factors in deciding how to execute the order, to the extent consistent with the specific strategy or other instructions provided by the OTF Client. The execution factors are:

- price;
- costs;
- speed of execution and settlement;
- likelihood of execution and settlement;
- size;

- any other consideration relevant to the execution of the order.

For the OTF Products, the key factors will likely be price, speed of execution and likelihood of execution and settlement, as the contracts are customised swap contracts, dark spreads and spark spreads.

Based on the information provided by the OTF Client, MSEL 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 the above execution factors, MSEL will also consider the characteristics of the OTF Client, including:

- the list of approved counterparties provided by the OTF Client, as this will determine the level of counterparty risk the OTF Client is prepared to take;
- the market and financial instruments that are the subject of the order, as an OTF Client may not wish to execute certain power contracts; and
- the tenor of the trade.

2.6. Pricing Formation

MSEL OTF Products are customised over-the-counter financial instruments with a unique contractual relationship tailored to the circumstances of the OTF Clients and will not be comparable for best execution purposes with, for instance, exchange traded contracts, such as shares.

Therefore, MSEL brokers will draw on a number of sources to ascertain appropriate and fair prices of the OTF Products, including start of day prices [provided by utilities companies], benchmarking to last settlement price for similar or comparable exchange traded commodity products on a power exchange, calling around the market and historical data for similar and comparable products. MSEL brokers will use their professional judgement and experience to determine appropriate prices based on tenor of the contract, liquidity of the contract, and last traded prices.

MSEL does not make prices, and does not hold proprietary positions in OTF Products.

2.7. Pricing Policy

MSEL OTF will charge OTF Clients in accordance with its OTF Pricing Policy, that is designed to facilitate price discovery, liquidity, an orderly market and fair participation for all MSEL OTF Clients.

MSEL OTF may charge both OTF Clients in a transaction or only one OTF Client, depending on whether the OTF Client is an initiator of an order on the Electronic Trading System.

MSEL OTF will not receive any third-party payments in relation to its OTF business.

2.8. Matching

Once orders have been matched in the OTF System they will be executed on the OTF System. MSEL is not a party to any contracts admitted to trading on MSEL OTF, these are entered into bilaterally between the OTF Clients whose trading interests have been matched by MSEL OTF.

Following matching of orders on the electronic trading system, MSEL OTF will have discretion as to whether to execute all or part of the matching orders against each other. The electronic trading system does not have rules around automatic matching of orders and there is no automatic matching algorithm. At this point, MSEL Broker has discretion to execute the transaction or to intervene or edit the arrangements if appropriate, provided that the MSEL Broker is acting in accordance with the OTF Rulebook and this Policy at all times in exercising such discretion.

In relation to the voice trading system, the MSEL Broker will exercise discretion in deciding whether to execute orders that have been matched on MSEL OTF. If the MSEL Broker decides to execute the orders on MSEL OTF, MSEL Brokers will exercise discretion in deciding how to execute the order by considering the execution factors and the characteristics of the Client in accordance with the requirements of this Policy.

2.9. Pre-Trade Reporting

MSEL shall make public current bid and offer prices and the depth of trading interests at those prices which are advertised through MSEL OTF.

MSEL OTF has obtained waivers in accordance with MIFIR from the requirement to make public the information relating to bid and offer prices and depth of trading on a pre-trade basis. In addition, MIFIR excludes orders placed by Non-Financial Counterparties (“NFC”) that are hedging orders from the pre-trade transparency requirements and REMIT Products are carved out from the requirements of MIFID generally. As a result, the pre-trade data will not be made public by MSEL OTF for the following types of orders:

- (i) that are large in scale compared with normal market size in accordance with MIFIR;
- (ii) that relate to OTF Products for which there is not a liquid market in accordance with MIFIR;
- (iii) placed by NFCs that are hedging orders;
- (iv) Orders that relate to REMIT Products.

2.10. Consent

MSEL does not conduct matched principal trading.

3. REGULATORY REPORTING

3.1. Trade Reporting

When MSEL executes a trade and such transaction is required to be made public pursuant to MiFID II MSEL will arrange to make public the information regarding that trade as close to real-time as is technically possible and within 15 minutes after the execution of the relevant transaction.

MSEL OTF has obtained authorisation from the CBI under MIFIR to defer the publication of the price, volume and time of Transactions on a post-trade basis. As a result, post-trade data in respect of the following transactions will be made available by MSEL OTF on a deferred basis:

- (i) Transactions that are large in scale compared with normal market size in accordance with Article 11.1(a) of MIFIR;

- (ii) Transactions in Products for which there is not a liquid market in accordance with MIFIR; and
- (iii) Transactions in Products that are above a certain size specific to that Product which would expose liquidity providers to undue risks, taking into account that all Clients are not retail Clients in accordance with Article 11.1(c)
- (iv) Transactions in REMIT Products;

When these waivers apply, MSEL shall make public each transaction no later than 19:00 local time on the second working day after the date of the transaction.

3.2. Transaction Reporting

Details of Transactions in MiFID products taking place on MSEL OTF will be reported to the CBI by MSEL OTF in accordance with the requirements of MIFIR.

3.3. Commodities Position Limits

MiFID II introduces a regime of position limits for commodity derivatives. This regime is supported by a reporting regime. MSEL OTF will be required to make daily reports to the CBI concerning the positions held by OTF Clients in economically equivalent OTC commodity derivatives. MSEL OTF will also need to make weekly reports to the CBI and ESMA, which will be published by ESMA, of aggregated information about positions held in the commodity derivatives or emission allowances traded on MSEL OTF.

This position limit regime may impact the ability of MSEL to execute an OTF Trade for an OTF Client, if the OTF Client will breach a position limit as a result of the order or trade, unless the OTF Client has obtained an exemption from the position limit regime. MSEL OTF will have appropriate position management controls to allow MSEL OTF to monitor and access information about commodity derivative positions.

3.4. Publication of Best Execution Data

In accordance with MiFID II regulations, MSEL will publish information on the top five execution venues where client orders have been executed during the preceding year for each class of financial instruments. Specifically, MSEL will publish information about the volume and number of orders executed on each execution venue so that MSEL clients and prospective clients may be able to form an opinion as to the flow of client orders from MSEL to execution venues. The following data will be published annually in electronic format on MSEL website:

- (a) class of financial instruments;
- (b) venue name and identifier;
- (c) volume of client orders executed on that execution venue expressed as a percentage of total executed volume;
- (d) number of client orders executed on that execution venue expressed as a percentage of total executed orders;
- (e) percentage of the executed orders referred to in point (d) that were passive and aggressive orders;
- (f) percentage of orders referred to in point (d) that were directed orders;
- (g) confirmation of whether it has executed an average of less than one trade per business day in the previous year in that class of financial instruments.

MSEL will also publish an assessment of execution quality obtained on all execution venues used by it, and for each class of financial instruments a summary of the analysis and conclusions we draw from the detailed monitoring of the quality of execution obtained on the execution venues.

4. MONITORING AND REVIEW

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

MSEL shall review this Policy and best execution arrangements periodically. Such a review shall also be carried out whenever a material change occurs that affects MSEL's ability to continue to obtain the best possible result for their clients. MSEL 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.