



ETORO - EUROPE

Best Execution and Order Handling Policy

September 2020

1. INTRODUCTION

- 1.1 eToro (Europe) Limited ("**eToro Europe**", "**us**", "**we**", "**Company**") is regulated by the Cyprus Securities and Exchange Commission ("**CySEC**") and is required to take all sufficient steps to act in the best interest of our clients when executing client orders. This means that when we execute transactions for you, we are required to do so in a way which achieves the best possible result for you. This is known as 'best execution', and this Best Execution and Order Handling Policy (the "**Policy**") describes how we seek to do this.
- 1.2 This Policy should be read in conjunction with our "**Agreement**" (as defined in the eToro EU Client Terms and Conditions) with you. In the event of any inconsistency between this Policy and the Agreement, the Agreement will prevail. The way in which you may place orders with us is set out in the Agreement and further information with respect to the different products that you may trade with us is set out on our website and platform from time to time. Any capitalized terms in this Policy which are not defined shall have the meaning given to them in the Agreement. When accepting the Agreement, you expressly agree to the terms of this Policy.
- 1.3 This Policy applies to all instruments which you trade with us (such as securities, including shares and ETFs) and contracts for difference ("**CFDs**") and other 'financial instruments' as defined under MiFID). The trading of cryptoassets is not regulated under MiFID and is therefore not captured by this Policy. However, we will endeavor to apply our best execution principles and this Policy to cryptoassets to the extent possible.
- 1.4 Any questions regarding this Policy should be addressed to the Customer Support Department via <https://www.eto.com/customer-service/>.

2. HOW WE PRICE AND TRADE INSTRUMENTS

- 2.1 When you enter into trades with us, the trades will be directly entered into by you against eToro Europe (via the online trading platform). This means that eToro Europe acts as principal to all transactions and is therefore the counterparty to all client trades irrespective of the type of instrument traded. Therefore, you will be dealing directly with us and not on any underlying market or with a separate counterparty. Accordingly, when you trade on the eToro trading platform, your trades are conducted on what is known as an over-the-counter ("**OTC**") basis.
- 2.2 Your orders are therefore executed outside a regulated exchange, multilateral trading facility ("**MTF**") or organized trading facility ("**OTF**") and you have given us express consent to trade for you in this manner.
- 2.3 In certain circumstances, we may aggregate your order with orders from other clients or with our orders. Aggregation may result in you achieving a less favorable price than if your order had been executed separately. Aggregation may occur where we seek to achieve efficient execution with minimal deviation between your execution price and that of the portfolio or person you are copying. In such cases, your order may be aggregated with those of other clients and then allocated to you on the basis of your original order size. This means that your execution price may be different from the price of the original copied trade.

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- 2.4 We may hedge positions by entering into an equivalent back-to-back trade with other investment firms or execution venues. However, we are under no obligation to do so. In such circumstances (if we do not hedge) this means that if your trade 'loses' money, this may benefit us. Further details in relation to potential conflicts of interest are set out in the Agreement.
- 2.5 All prices offered by us (on our platform) are ultimately formed, provided and determined by us. We are therefore required to ensure that the way in which we set the price is fair.
- 2.6 Our prices are formed, provided and determined by us with reference to feeds ("**Feeds**") which may change from time to time and may differ depending on the instrument. The Feeds include independent third-party price providers and independent financial market data providers, who in turn receive their price data from the relevant exchanges; and / or third-party liquidity providers / hedging counterparties.
- 2.7 Our selection process for the Feeds includes due diligence procedures, and diversification criteria to avoid over-reliance on a single provider and to ensure protection against data redundancy. We review our Feeds from time to time to ensure that the data obtained continues to remain competitive.
- 2.8 While we take into account the Feeds which we obtain, we are under no obligation to ensure that the quotes / prices that we provide are within any specific percentage of prices provided by Feeds. This means that if the prices we receive are distorted, for example as a result of an Exceptional Event as detailed in the Agreement, we may make adjustments to the price we offer.
- 2.9 Our pricing and execution methodology means that securities traded on our platform (e.g. shares, securities or units in ETFs) may not reflect the underlying prices that may be available on any market to which the security may be traded, and our OTC CFD prices may differ from those provided by other investment firms.

3. **BEST EXECUTION FACTORS**

- 3.1 In providing best execution, we are required to take into account certain 'execution factors' which we describe further below. We have determined that generally the best possible result means the total consideration paid. This represents the price of the financial instrument together with the costs associated with the execution. Notwithstanding this, the speed of executing the trade and the likelihood of the trade being successful may be given precedence if they are instrumental in delivering the best result for you (for example, this may be the case for large orders).
- 3.2 We aim to execute all orders, to the extent possible. However, we are entitled, at any time and at our discretion, to decline the execution of any order or request or instruction as set out in our Agreement with you.
- 3.3 In assessing the relative importance of the execution factors, we take the following criteria into account:
- (a) the characteristics of the client (including the client's categorization);
 - (b) the characteristics of the client order (including the size and nature of the order);
 - (c) the characteristics of the financial instruments that are the subject of that order; and
 - (d) the characteristics of the execution venues to which that order can be directed.

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- 3.4 Not all of these criteria will be relevant in each case or equally relevant to our relationship with you. Importantly, because we are the sole execution venue for trades, this factor is generally not relevant in relation to our dealing with you.
- 3.5 The material execution factors that are considered and their importance are set out below. The relative importance attached to these execution factors does not differ across the asset classes traded with us.

Price

- 3.6 The importance that we place on price is high and the way in which we price instruments is detailed above.
- 3.7 For all financial instruments, we will quote two prices: the higher price ("**ASK**") at which you can buy, and the lower price ("**BID**") at which you can sell. The difference between the lower and the higher price of a given instrument is the spread, which is a cost of entering into the trade, and which may vary according to market conditions and liquidity.
- 3.8 The quoted prices are indicative and represent the top of the order book price. Therefore, as an example, large orders may be executed at a price which is different to what is displayed on the trading platform. Such differences are symmetrical (see "slippage" below). We execute in this way in order that it is more likely that orders are executed quickly and to avoid us re-quoting you.
- 3.9 We do not guarantee that our prices will be the same as, or better than, prices available elsewhere. This could be for a number of reasons such as adjustments we may make to the prices which we receive, including adding our own spread, adjusting for liquidity in external markets, currency exchange rate differentials and other relevant factors.

Cost

- 3.10 The importance that we place on cost is high. For the purpose of determining best execution, 'costs' means all expenses incurred by you and which are directly related to the execution of the order. More detail is set out in the Agreement, but costs may include:
- (a) the commission (for securities) or the spread (for CFDs), both to the extent applicable or charged, which represents our own remuneration. We may charge you a commission or spread for each order that we execute on your behalf. We may vary our spreads and commissions. Where spreads / commissions are determined as a percentage of the price (for example 0.1%). The applicable monetary costs may increase (or decrease) as the price of the asset rises (or declines). There may be instances where market conditions cause these spreads / commissions to change beyond those displayed on our trading platform.
 - (b) trades which include leverage (such as CFDs) are subject to overnight and rollover fees which are indicated at the time of the trade opening; and / or
 - (c) any other fee that may apply from time to time to which we have given you appropriate notice.
- 3.11 For more information about the costs that apply from time to time with respect to the different instruments and services that we offer, please see the fees page on our website at <http://www.eto.com/en/customer-service/fees/>.

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Speed and the likelihood of execution

- 3.12 The importance that we place on speed and the likelihood of execution is high.
- 3.13 Due to the levels of volatility affecting both price and volume, we seek to provide client orders with the fastest execution reasonably possible.
- 3.14 The likelihood of execution primarily depends on the availability of prices from third parties, the size of the order and the factors impacting the underlying market.
- 3.15 Further, Exceptional Events (such as extreme markets or financial conditions) may result in volatility and / or rapid increases or decreases in the prices of instruments traded or may cause costs to change beyond those displayed on the eToro Trading Platform. If events such as these occur, we may take appropriate measures to manage the associated risk as set out in the Agreement. They may impact the speed and likelihood of execution and could include the following:
- (a) ceasing to quote prices meaning that you will not be able to close or open positions and any pending orders would not be triggered;
 - (b) using alternate Feeds to our main providers;
 - (c) widening spreads or increasing commissions meaning that the costs of opening and closing trades will be affected; or
 - (d) not executing an order or executing at the next available price, which can result in slippage (which is detailed further below).
- 3.16 Further information is contained in the eToro EU Terms and Conditions.

Size of orders

- 3.17 Our website details the value of minimum and maximum sizes of orders in different products/instruments.
- 3.18 The size of the order may affect the price of execution (because the prices displayed are the top of the order book and therefore larger orders may not receive the price displayed on the Trading Platform). We reserve the right to decline any order or transaction, as explained in the Terms and Conditions.

4. CLIENT'S SPECIFIC INSTRUCTION (LIMITED SCOPE OF BEST EXECUTION) AND OBLIGATIONS

- 4.1 Specific instructions may include you specifying the type of order you want to enter into, which is likely to relate to price and / or time of execution (such as stop loss and take profit orders).
- 4.2 Subject to the eToro EU Client Terms and Conditions we will execute orders in accordance with the instructions you give, unless the trading rules for specific markets or market conditions prevent us from doing so.
- 4.3 This means that your instructions will take precedence over our approach in this Policy, and such instructions may prevent us from taking the steps described in the Policy to obtain the best possible result for you.

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5. **SLIPPAGE AND MARKET GAPS**

- 5.1 All order types may be impacted by "**slippage**" or "**market gaps**" as are further described in our Agreement with you. Slippage and market gaps are common elements of trading in financial instruments.
- 5.2 Both slippage and market gaps may occur in various circumstances such as during periods of illiquidity or higher volatility, for example due to news announcements, economic events and market openings.
- 5.3 **Slippage** is the situation where at the time an order is presented for execution, the specific price shown to you may not be available. In this instance, the order may be executed at the next available price and may not represent the originally requested price. Therefore, 'slippage' is the difference between the expected or displayed price of an order, and the price the order is actually executed at. If the executed price is better than the order price / price requested, this is referred to as positive slippage. If the executed price is worse, this is referred to as negative slippage. The Company's approach in regards to slippage is to transfer to clients both positive and negative price changes as they may arise.
- 5.4 **Market gaps** are sharp breaks in price with no trading occurring in between (for example, if the price rises or falls between market close and market open, or between the point where trading is suspended or restricted under the rules of the relevant exchange). In these cases, the applicable order you have placed will be executed as soon as is reasonable under the circumstances when market liquidity conditions are reasonable. The executed price may be different from the order price or other market prices which may be available to you from other sources.

6. **MONITORING OF BEST EXECUTION AND PUBLICATION OF DATA**

- 6.1 eToro Europe will review this Policy at least annually and whenever a material change occurs that potentially impacts our ability to consistently obtain the best possible result for the execution of client orders.
- 6.2 eToro Europe regularly evaluates the overall quality of its order execution to ensure that we consistently achieve the best results for you. This includes regularly assessing the Feeds which we use. We may amend this Policy on the basis of such reviews.
- 6.3 Investment firms, such as eToro Europe, are also required to make available to the public data relating to the quality of execution of transactions with that investment firm. This report is generally referred to as the RTS 27 or RTS 28 report (to the extent applicable to the circumstance) and may be found on the eToro website at <https://www.etoro.com/customer-service/regulation-license/>.

7. **FIDUCIARY DUTY**

Our commitment to provide you with best execution does not mean that we owe you any fiduciary responsibilities in respect of order execution over and above the specific regulatory obligations placed upon us or as may be set out in our Agreement with you.

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