

## **EXECUTION OF ORDERS POLICY**

### **Context**

- The provisions of the MiFID II Directive<sup>1</sup> came into effect on 3<sup>rd</sup> January 2018. Articles 27 & 28 of this Directive require Investment Firms to establish and make available a policy on the execution of orders from their clients.
- It also requires that Investment Firms obtain the consent of its clients where client orders may be executed outside a trading venue.
- The service provided by Energy Broking Ireland (EBI) is provided solely to Professional Clients<sup>2</sup> and is not provided to Retail or Elective Professional Clients. EBI will be providing written confirmation to its clients as to their status as Professional Clients and their treatment as Eligible Counterparties for the purposes of the MiFID Directive.
- EBI does not offer multiple trading venues for execution, act as a Systematic Internaliser, Market Maker or offer a Matched Principal Trading<sup>3</sup> service.
- The concept of “Best Execution” in the MiFID II Directive is specifically addressed in the context of a service delivered to Retail Clients. The MiFID II Directive removes the obligation on investment firms to comply with the Best Execution obligation<sup>4</sup> where the execution of orders is in respect of Eligible Counterparties<sup>5</sup>.
- Even though the Best Execution obligation is qualified under the MiFID Directive, Energy Broking Ireland (EBI) is committed to provide a high-quality service to its clients in the execution of orders for all the products that it offers and to achieve the best quality result possible for its clients, taking into account the different factors and criteria set out below.

### **EBI’s Policy on Execution of Orders**

- EBI undertakes to execute orders received by its clients in an honest, fair, professional, and expeditious fashion, taking into account other clients’ orders and the following criteria, which are listed in their standard order of priority. This priority may be changed from time to time, depending on the circumstances: -
  - The status of the bilateral trading arrangements between the counterparties involved in any potential matching of bids and offers
  - For any particular product, within a defined delivery period, the prices offered by clients submitting offers and bids. On the EBI Trading Platform, the lowest priced offers are ranked against the highest priced bids to enable both sellers and buyers to be given the opportunity to execute orders at the most favourable prices possible.
  - The size/quantity of the product offered or bid, taking into account the counterparties’ flexibility in accepting a “partial” transaction; i.e. a transaction for only a proportion of the total size/quantity offered or bid by that counterparty

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<sup>1</sup> Directive 2014/65/EU

<sup>2</sup> As defined in Section 1, Annex II of Directive 2014/65/EU

<sup>3</sup> As defined in Article 4 of Directive 2014/65/EU

<sup>4</sup> As defined in Article 27 of Directive 2014/65/EU

<sup>5</sup> As set out in Article 30 of Directive 2014/65/EU

- There are a number of other factors which could influence the service provided by EBI and the execution outcome for the client: -
  - The liquidity of the market at any time for a given traded product, which will be a reflection, at that time, of the offers and bids submitted by other clients
  - EBI will provide (subject the other factors set out below) details of all offers and bids for products quoted on the EBI Trading Platform, which can be traded for its clients. However, it can only provide such details where they have been supplied to EBI by its clients and therefore the objective of achieving the best execution results for its clients will be limited by the submission of bids and offers from other EBI clients.
  - As there may be periods of “low activity” on the EBI Trading Platform, the last price traded may not be reflective of the current offer/bid spread and the current potential transaction price range
  - In accordance with other requirements, including the Trading Platform User Terms and Conditions, it may not be possible for EBI to accept orders from a client, where to do so would infringe regulatory requirements, including for example, the Code of Operations<sup>6</sup>
  - The size of any client’s order in respect to the market liquidity at the time the order is placed, for that product
  - The volatility and any other conditions of the market at the time the order is placed by the client
  - The timing of the placing of the order by the client, particularly when close in timing to a “gate closure” time or a “trading dead-band” period
  - The declaration of a Force Majeure event, unscheduled maintenance or REMIT<sup>7</sup> reportable event, which may impact on market pricing volatility and/or market liquidity
  - The technology of the EBI Trading Platform
  - The ability of the clients or EBI to communicate by telephone, email or other electronic means, both with each other and with the Trading Platform

This is not an exhaustive list of factors which may influence the execution of orders by a client, as there could be other influencing factors, not currently foreseen, but which may be important at the time the order is placed.

### **EBI’s Trading Platform as an Organised Trading Facility (OTF).**

- A licenced OTF operator is required to exercise discretion in the execution of orders on an OTF.<sup>8</sup> This discretion exercised is in either or both of the following circumstances: -
  - When deciding to place or retract an order on the OTF
  - When deciding not to match a specific client order with other orders available in the systems at a given time, provided that it is in compliance with specific instructions received from a client and with EBI’s obligations to execute orders on terms most favourable to the client.
- In the latter case, an example would be where 2 orders cannot be matched, as a result of instructions from one or more clients involved, regarding the bilateral credit status of the other clients.
- In addition, an OTF market operator may facilitate negotiation between clients so as to bring

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<sup>6</sup> The Code of Operations published by Gas Networks Ireland, regulates access to the GNI transmission network

<sup>7</sup> Regulation (EU) No 1227/2001 on wholesale market integrity and transparency

<sup>8</sup> In accordance with Article 20 6 of Directive 2014/65/EU

two or more potentially compatible trading interests in a transaction.

### **The Execution of Orders on the Trading Venue**

- The EBI Trading Platform will normally execute offers or bids supplied by clients electronically on the Trading Platform.
- Where one or more clients so requests EBI, it will insert the client(s)' requests to post offer and bid prices and execute orders on its behalf, using the EBI Trading Platform.
- Where the Trading Platform is unavailable for any reason, the clients may request EBI to undertake voice/electronic mail broking of offers and bids and execute transactions orally or by electronic mail on their behalf.
- The principles set out above, in terms of the execution of orders will apply, irrespective of the mechanism employed by EBI to match client offers and bids.
- Where EBI is accepting offers and bids for products which are outside the "spot delivery"<sup>9</sup> window or are defined as financial instruments in accordance with the MiFID Directives, these will be executed on the Trading Platform, which would be licenced as an OTF trading venue.
- Prior to obtaining an OTF licence, EBI will have to reject requests from clients to accept and execute orders for products which are outside the "spot delivery"<sup>10</sup> window or are defined as financial instruments in accordance with the MiFID Directives.

### **Confidentiality**

EBI will take reasonable measures to ensure the confidentiality of and prevent mis-use of information received from its clients in respect of offers, bids and instructions to execute orders.

The attention of the clients is drawn to EBI's Conflicts of Interest Policy and Data Protection Policy, available on EBI's website ([www.ebi.ie](http://www.ebi.ie)).

### **Client Consent to Execution of Order Policy**

EBI is required to obtain its clients' consent to its Execution of Order Policy. This policy will be available on EBI's website and each client will be deemed to have already accepted the terms of EBI's Execution of Order Policy, upon submitting an order to EBI.

### **Interaction with Trading Platform Terms & Conditions**

This Execution of Order Policy does not form part of EBI's Trading Platform Terms & Conditions and no commitment is implied in excess of EBI's specific regulatory requirements. In particular EBI's commitment to provide the client with the service described above, does not entail a fiduciary responsibility beyond that required by the regulations quoted herein.

The client is and remains responsible for its investment decisions and for the financial consequences arising from the execution of orders/transactions on EBI's Trading Platform.

### **Modification and Revision of the Execution of Order Policy**

From time to time, EBI will review its Execution of Order Policy and the manner in which it executes orders for its clients. In the event it identifies areas where improvements can be made to the execution of clients' orders, it may amend this Execution of Order policy and notify its clients of any such material changes in this policy.

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<sup>9</sup> As defined in Article 38 of Commission Regulation (EC) No 1287/2006

<sup>10</sup> As defined in Article 38 of Commission Regulation (EC) No 1287/2006