
Jefferies Asia

Asia Order Execution Policy

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Supersedes all previous Compliance Policies regarding this subject matter

Jefferies Asia

Jefferies

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I. INTRODUCTION

As required by the relevant Asia regulators, this document (the “Policy”) sets out Jefferies – Asia entities, viz., Jefferies Hong Kong Limited, Jefferies Japan Limited and Jefferies Singapore Limited (collectively referred to as “Jefferies”) Order Execution Policy and arrangements for complying with the obligation to take all sufficient steps to obtain the best possible outcome for their client’s orders (so called ‘best execution’). As detailed in Jefferies Terms of Business, clients are deemed to have consented to their transactions being handled in accordance with this Order Execution Policy.

II. SCOPE

Jefferies is required to put in place an Order Execution Policy, and to take all sufficient steps to obtain the best possible outcome for clients who are ‘legitimately relying’ on Jefferies for their execution. This policy applies to Jefferies in respect of (a) agency or back-to-back principle transactions¹ with clients, and (b) principal transactions with clients. The policy applies when Jefferies transmit a client’s orders with other entities for execution.

This policy deals with the activities of Jefferies Sales and Trading divisions, covering Equity, Fixed Income Products and Exchange Traded Derivative Products, where applicable.

WHAT TYPE OF CLIENTS DOES BEST EXECUTION APPLY TO?

A client’s regulatory classification, as detailed below, impacts the determination of whether a client is ‘legitimately relying’ on Jefferies to protect their interests, and as such whether best execution is owed.

For Jefferies Singapore Limited

■ **Accredited Investor or Expert Investor** as defined in section 4A(1) (a) and (b) of the Securities and Futures Act of Singapore (the “SFA”);

For Jefferies Hong Kong Limited

■ **Professional Investor** as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance of Hong Kong;

For Jefferies Japan Limited

■ **Professional Investors** as defined in article 2-31(4) of the Financial Instruments and Exchange Law (the “FIEL”);

Reliance Test: In order to determine whether a Professional Investor, Accredited Investor or Expert Investor is ‘legitimately relying’ on Jefferies in relation to a particular client order (whereby best execution is therefore owed to the client), the following four factors are considered by Jefferies on a once-off basis:

- **Which party initiates the transaction:** where it is Jefferies that ‘initiates’ a transaction the client is more likely to place ‘legitimate reliance’ on Jefferies. In this context, ‘initiate’ means where Jefferies approaches a client regarding a potential transaction;
- **Market practice and the existence of a convention to ‘shop around’:** In certain wholesale markets, there is a common practice or convention to ‘shop around’ and obtain quotes from a number of dealers prior to a client executing any transaction. The existence of such a practice indicates that a client is less likely to place ‘legitimate reliance’ upon Jefferies for best execution of the order (for example, wholesale bond markets and OTC markets feature ‘shop around’ practices);
- **The relative levels of price transparency within a market:** In certain markets, transparent prices may not be readily available to clients, and this indicates that the best execution obligation is more likely to apply; and
- **The Terms of Business/ other information provided to clients should make clear if best execution applies or not.** This must reflect the economic reality of the relationship.

¹ Under paragraph 8.3-part A of the SFC Code of Conduct, back-to-back transactions refer to those transactions where a licensed or registered person, after receiving –

(a) a purchase order from an investor, purchases an investment product from a third party and then sells the same investment product to the investor; or
(b) a sell order from an investor, purchases an investment product from the investor and then sells the same investment product to a third party, and no market risk is taken by the licensed or registered person

■ **Institutional Investors in Singapore:** The best execution obligation is deemed not to apply when dealing with Institutional Investors as defined under section 4A(1)(c) of the SFA.

■ **Institutional Investors in Japan: The best execution obligation applies to Professional Investors but dissemination of Best Execution Policy is not required.**

■ **Retail clients:** Jefferies do not service retail clients.

All Jefferies employees who, on behalf of Professional Investor in Hong Kong, Accredited Investor or Expert Investor in Singapore, and Professional Investors in Japan, either execute client orders or pass orders for execution to other entities must ensure such activities are conducted in accordance with this Policy.

III. BEST EXECUTION MECHANISM

• Order Handling

Where we receive an order from a client, Jefferies will ensure the order is executed promptly and is accurately recorded and allocated accordingly. In situations where Jefferies receives comparable orders from two or more clients, the orders will be executed promptly and in sequential order unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise. Orders will not be considered as comparable if they are received via different execution channels or through different trading desks within Jefferies or otherwise where it would not be practicable for them to be treated sequentially.

Jefferies has the responsibility to arrange the settlement of an executed order and will take reasonable steps to ensure that any client financial instrument(s) or client funds received in settlement of an executed order are promptly and correctly delivered to the account of the relevant client.

Any information with a client execution or pending order will be treated as confidential and Jefferies will take reasonable steps to ensure that information of any executed or pending orders will not be misused.

• Request for Quotes

When Jefferies trades as principle (not involving back-to-back principal transactions) and provides a quote(s) upon request, Jefferies will determine if the client legitimately relies on Jefferies to protect its interest (“Reliance Test”) to determine if Best Execution should be obtained. (as mentioned above in Section II)

• Client Instructions

Aside from the above, where a client has placed an order with specific instructions, that covers each and every aspect of an order, Jefferies will have no discretion in respect of any aspect of the order and Best Execution will not apply.

To the extent that a client places an order with specific instructions that only covers partial aspects of the order, Best Execution will be owed in respect of the order which were not covered by the instructions.

Even where Best Execution obligations do not apply, Jefferies will act honestly, fairly, and professionally in accordance with the client’s best interests.

IV. BEST EXECUTION CONSIDERATIONS

• Order Execution Factors

When determining the strategy for execution of a client’s order Jefferies will take into consideration certain ‘Execution Factors’ as appropriate, in the context of the terms of the client’s order. The ‘Execution Factors’ that Jefferies may consider include, but are not limited to:

- Price;
- Speed of execution and settlement;
- market liquidity;
- size and nature of the order;
- likelihood of execution and settlement;
- costs of the transaction;
- market impact;
- any other consideration relevant to the efficient execution of the order.

Jefferies considers the following criteria when determining the relative importance of the various 'Execution Factors':

- characteristics of the client's order (market order, limit order etc., including where the order involves a securities financing transaction ("SFT"));
- characteristics of the financial instruments that are the subject of the order; and
- characteristics of any execution venues to which the order can be directed.

In the absence of specific instructions from the client, Jefferies will exercise its own judgment, skill and experience, having regard to available market information when determining the 'Execution Factors' that it needs to take into account for the purpose of providing the client with best execution.

The diverse markets for different financial instruments, and the types of orders that clients place with Jefferies, means that different 'Execution Factors' could be applicable each time Jefferies considers a particular execution strategy.

In general, Jefferies regards price as being the most important consideration when seeking to obtain the best possible outcome for clients in accordance with this Policy. In certain circumstances Jefferies may decide in its absolute discretion that the other factors noted above may be more important than price. In addition, subject to any specific instructions which are given to Jefferies by a client, the financial instrument to which the order relates often dictates to a large extent the determination and ranking of the relative importance of the Execution Factors.

• Execution Venues

Jefferies utilizes a number of regulated trading venues (e.g. stock exchanges) and external liquidity pools for trade execution.

A non-exhaustive list of the execution venues is set out in the Annex to this policy. Jefferies places orders on the execution venues which Jefferies believe can provide the best overall terms for the clients, while taking into account the Execution Factors mentioned above; either directly or, through another capital markets intermediary or a person who is licensed, authorised, regulated or otherwise exempted in relation to dealing in capital markets products in a foreign jurisdiction, for execution or through the intermediation of a Co-Brand Partner with which Jefferies has an agreement to place orders intended for a particular regulated market.

Additional factors that Jefferies may consider when determining the most appropriate execution venue for a particular type of client(s) and their orders may include:

- Available price;
- Depth of liquidity;
- Relative volatility of the market;
- Speed of execution;
- Cost of execution;
- Quality and cost of clearing and settlement.

The factors above will generally be stipulated above, however there maybe circumstances where the priority will change due to the nature of the order or market at the time of order placement, such as:

Where the client specifically requests that one execution factor takes priority over another;

Where market liquidity is limited but the client has indicated they are keen to for the order to be filled, speed of execution and size of the order may preference over price;

Where the order is very large compared to market depth, other considerations such as market impact may take preference over factors such as speed of execution. Spreading the execution of a trade over a longer time period may help to achieve a better execution price for the client while maintaining an orderly market;

All legal entities including Jefferies affiliates and Co-Brand Partners that act as a third-party broker for Jefferies will be required to go through proper selection and monitoring process in accordance with internal policy. The broker selection criteria may include:

- Execution venue access;
- Market connectivity;
- Speed & cost of execution;
- Operational capability;
- Financial stability; and
- Internal controls

- **Crossings**

Fundamentally, crossings are the non-auto-matched trades that are agreed and subsequently reported to the relevant exchange. Crossings offer advantages in terms of liquidity, reduced market impact and confidentiality. Crossings will not be executed in circumstances when it is not in the best interests of clients.

- **Inducement Arrangement**

In executing client orders Jefferies does not receive any remuneration, discount or non-monetary benefit for routing client orders to a specific execution venue which would infringe any conflicts of interest or inducement requirements, Jefferies does not participate in any payment for order flow arrangements

V. EXECUTION STRATEGIES

- **Trader – Managed Execution**

- Discretionary orders

Where Jefferies is acting on a client's behalf and the client has not specified an exchange or given specific instructions, Jefferies will apply discretion when determining the execution venue and the timing and order placement in the market, taking into consideration the Execution Factors outlined above, with aim to achieve best execution. Price will generally be the leading factor for most orders, however, large orders, relevant factors such as certainty of execution, reduction of market impact and speed of execution might have greater importance.

- Worked Orders

When requested by clients, worked orders require the involvement of a trader to execute the order. Jefferies considers that Best Execution is owed in respect of such worked orders. However, worked orders may involve highly perspective specific instructions from the client as to how it requires the trade to be executed. To the extent that a client places a worked order with specific instructions that only cover partial aspects of the order Best Execution will be subjected on the aspects of the order in respect of those components not covered by the instructions.

- Program Trading

When Jefferies executes agency-program trade for clients, Best Execution is owed, and Jefferies will achieve to provide the best overall result in relation to the aggregate portfolio rather than in relation to individual transactions within the portfolio.

- **Client-Driven Execution**

Jefferies gives clients the ability to select trade parameters and strategies for orders placed through Jefferies electronic trading platform. When trading through these platforms, Jefferies considers that the client has provided us with a specific instruction on each aspect of the order. Such orders are overseen by Jefferies Electronic Trading Service Team, who reserve the right to intervene on an order as and where required, such as when the original parameters could result in adverse market impact.

- Direct Market Access (“DMA”)

Jefferies may agree to provide access to our Direct Market Access (“DMA”) service. Orders placed through DMA will constitute a specific instruction and Jefferies will not owe the obligation of Best Execution.

Jefferies does reserve the rights to intervene in the routing and execution of DMA orders where the original parameters could result in adverse market impact.

- Algorithms

Client orders sent to Jefferies electronic trading platform will be executed according to the trading logic of the algorithm. A client's choice of trading a specified algorithm, and including any specified perimeters, will be considered a specific instruction to Jefferies that will be satisfied by the order being traded by the respective algorithmic strategy. Jefferies will monitor and ensure a proper execution for client orders traded by the algorithm suite on a Best Execution basis given the liquidity available and within prevailing market conditions.

VI. MONITORING AND REVIEW

Jefferies has implemented a dedicated governance & control framework in order to monitor the effectiveness of its order execution arrangements and to identify, where appropriate, and correct any deficiencies.

Jefferies will monitor the effectiveness of its order execution arrangements in a number of ways, which include a Best Execution Committee and Compliance monitoring and surveillance activities. Furthermore, Jefferies will leverage additional committee's (i.e., Electronic Trading Governance Committee) to review notable operational risk events that may have impacted best execution

obligations to identify risk issues and/ or trends.

Jefferies regularly assesses whether the execution venues it accesses, and the brokers and dealers to whom Jefferies transmits orders, continue to provide for the best possible outcome for clients.

- **Monitoring and Controls**

- **Monitoring and Review:** Jefferies monitoring consists of a combination of pre-trade, real time, post trade and periodic execution monitoring.
- **Liquidity venue monitoring:** Jefferies undertakes periodic reviews of Regulated Markets, MTFs and OTFs regardless of whether Jefferies is connected to the liquidity venue. Factors assessed include universe of securities covered; liquidity; market / sector share capture; post trade set up and structure; types / nature of participants; sustainability of liquidity venue; fee structure; and order placement functionality.
- **Information Content Factor and Information Leakage:** Jefferies monitors the quality of executions from all venues accessed by measuring their toxicity as well as expected versus realized fill rates to assess the level of leakage.
- **Algorithmic Controls:** Jefferies electronic trading infrastructure has a comprehensive suite of controls and alerts that assist us in meeting our best execution requirements. They include controls and alerts related to price limits, liquidity and market impact, price moves, mispriced fills, etc.

- **Best Execution Committee**

A Best Execution Committee (the “Committee”) is in place which will meet quarterly to ensure sufficient management oversight that Jefferies is adhering to its Best Execution obligations in accordance with the applicable regulatory requirements and this policy.

- **Client Requests**

Receiving clients’ queries on order execution(s), Jefferies will refer to this policy and provide follow up and/ or necessary information to the order execution upon receipt of a reasonable request from a client. Reasonable requests should be made shortly after the client receives confirmation of the transaction. Jefferies will respond within a reasonable time after receiving the request. The timeframe for the response will vary depending upon the nature of the request.

- **Policy Review**

The Committee will conduct an annual review and update accordingly of this policy to ensure Jefferies includes all reasonable steps to obtain the best available terms for trade execution. The Committee will review and update accordingly any other Best Execution arrangements in accordance with the relevant regulatory standards. If a material change to Jefferies execution arrangements occurs which could impact the Execution Factors and its relative importance, this will be communicated to clients via updating the policy. In addition, should any material change to Jefferies execution arrangement that affects Jefferies ability to continue to obtain the best available terms for its clients be identified outside of any formal periodic review processes, this will be subject to a separate off cycle review process and notified to the clients accordingly.

This policy is available at the following link: [Jefferies - Notices & Policies](#)

Annex – APPENDIX I – EXECUTION VENUES INFORMATION

Below is a list of execution venues, as noted in section IV (Execution Venues) of the Order Execution Policy, used by Jefferies when executing orders on behalf of clients. This list is not exhaustive and is subject to change, as highlighted in sections VI (Execution Venues of the Order Execution Policy and will be re-issued periodically. As highlighted in section IV (Execution Venues) of the Order Execution Policy, Jefferies is execution venue agnostic and will use the venues that allow it to obtain the best possible outcome on a consistent basis when executing an order on a client’s behalf irrespective of the client’s regulatory classification. Jefferies receives no payment for order flow nor inducements from any venue.

Jefferies International Limited (JIL) - Equities

Aquis Exchange

BATS Chi-X Europe

Blockmatch MTF

Deutsche Boerse (Xetra)

Euronext: Amsterdam, Brussels, Lisbon, Paris

Euronext Block MTF

ITG Posit MTF

Liquidnet MTF

Local Brokers including but not limited to those in Europe, Asia and the Americas or Jefferies affiliates (are used in markets where no exchange membership is held) +

London Stock Exchange (LSE)

NASDAQ OMX: Helsinki, Stockholm, Copenhagen

SigmaX MTF

Turquoise MTF

UBS MTF

Jefferies International Limited - Fixed Income, Bonds, Notes and Derivatives

BGC Group (Fenics, GFI, EM Bonds, aurel BGC)
Bloomberg

Bondvision

CME NEX Markets (Brokertec)

Deutsche Boerse (Eurex)

Deutsche Boerse (Eurex Repo)

HDAT

ICE Futures Europe Ltd

Jefferies International Limited * +

Local Brokers in Europe, Asia and the Americas or Jefferies affiliates (are used in markets where no exchange membership is held) +

London Stock Exchange Group (includes MTS, EuroTLX, MOT, EuroMOT)

Market Axess Europe Limited (includes Market Axess, RMO)

SENAF

SGX Bond Trading Pte. Limited

Jefferies International Limited * + (Affiliate memberships in Asia include: Jefferies Hong Kong Limited / Hong Kong Stock Exchange; Jefferies India Private Limited / Bombay Stock Exchange & National Stock Exchange; and Jefferies Japan Limited / Tokyo Stock Exchange & Osaka Exchange).

	Australia	Japan	Hong Kong	Singapore	Indonesia	Philippines	New Zealand
Exchange	ASX	TSE	SEHK	SGX	IDX	PSE	NZX
Lit Venues	Chi-X Australia	Chi-X Japan SBI Japannext					
Dark Venues	ASX Centre Point Chi-X Mid-Point CLSA CS CrossFinder Virtu POSIT MS POOL* Chi-X MatchPoint (Trade at last)	BAML Instinct X Citi Match CLSA CS CrossFinder Daiwa* Virtu POSIT* Kai-X MS POOL Nomura NX	Citi Match CLSA CS CrossFinder Instinet Virtu POSIT MS POOL	Virtu POSIT	Virtu POSIT	Virtu POSIT	Virtu POSIT
Dark Block Venues	Virtu POSIT Alert (Conditional) Liquidnet	Virtu POSIT Alert (Conditional)* Liquidnet	Virtu POSIT Alert (Conditional) Liquidnet	Virtu POSIT Alert (Conditional) Liquidnet	Virtu POSIT Alert (Conditional) Liquidnet	Virtu POSIT Alert (Conditional) Liquidnet	Virtu POSIT Alert (Conditional) Liquidnet

	Malaysia	Thailand	Taiwan	South Korea	India	China (Stock Connect)	Sri Lanka (PT/HT only)	Pakistan (PT/HT Only)	Vietnam (PT/HT Only)
Exchange	MYX	SET	TWSE Taipei	KRX KOSDAQ	NSE BSE	SSE SZSE	CSE	PSX	HSX

Notes: Some client flows/order types not eligible for all venues; Venues can be enabled/disabled on a default or per-order basis

* Offshore funds only