

BEST EXECUTION POLICY

OF

CARDINAL STONE SECURITIES LIMITED

PRIVATE AND CONFIDENTIAL



CARDINALSTONE
SECURITIES LIMITED
Member of the Nigerian Stock Exchange



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1. POLICY STATEMENT AND APPLICABILITY

1.1 OVERVIEW

CardinalStone Securities Limited (“CardinalStone” or the “Company”) is committed to conducting business professionally, ethically, with integrity and in accordance with the rules and regulations of Securities & Exchange Commission (“SEC”), The Nigerian Stock Exchange (“NSE”), National Association of Securities Dealers OTC Exchange (“NASD”) and FMDQ Securities Exchange Limited (“FMDQ”).

This document sets out the reasonable steps to obtain the best possible result for our clients within the shortest timeframe in accordance with the terms and conditions of the order from the client. This overarching obligation to obtain the best possible result for clients is referred to, in this document, as Best Execution.

1.2 SCOPE OF THE POLICY

This policy covers trading by CardinalStone on NSE, FMDQ and NASD Exchange platforms in the following financial instruments:

- a. Equities i.e., shares, stocks, and depositary receipts
- b. All types of Debt instrument i.e., Bonds etc.
- c. Derivatives
- d. Exchange Traded Products

It is applicable to all clients of the Company.

1.3 POLICY STATEMENT

- a. CardinalStone and its employees shall always when acting on behalf of clients on the purchase or sale of securities, adhere to the Best Execution policy by taking reasonable steps to obtain the best available results for the clients within the shortest time frame in accordance with the terms and conditions of the mandate from the client.
- b. Where CardinalStone deals on its Proprietary account and the counterparty to the transaction is the same CardinalStone’s client, the transaction shall be treated as an execution of the client’s mandate, and not CardinalStone to ensure compliance with the Best Execution Policy.

Best Execution Policy

- c. By virtue of this policy, CardinalStone is obligated to deliver the best possible result when executing client mandates on all types of securities. Also, clients' mandate shall be given utmost priority ahead of the Proprietary account.
- d. CardinalStone shall apply its Best Execution policy in a manner that considers the different circumstances associated with the execution of mandates related to types of securities.
- e. CardinalStone understands the volatility in the market and shall ensure that the price of the securities is considered while executing the mandate on behalf of a client; and note the criteria for determining the relative importance of the execution factors.
- f. Clients shall be promptly notified if there is any material difficulty regarding the proper execution of their mandates upon becoming aware of the difficulty (may be price change, stock of offer or bid, etc.)
- g. The effectiveness of this policy shall be monitored by the Compliance team and any violation shall be reported to Management.
- h. This policy shall be displayed on the website of the Company.
- i. This policy is subject to review annually and at any other time that a material change occurs that may affect CardinalStone's ability to obtain Best Execution on a consistent basis.

2. EXECUTION OBLIGATIONS AND RELEVANT FACTORS

The Company considers the following as the best way to execute an order for clients:

Speed and Likelihood of the Execution

Due to the levels of volatility affecting both price and volume, Clients orders will be provided with the fastest execution reasonably possible (although delays like internet connectivity, business disruption, unseen external events etc. may occur).

Price Improvement and Overall Consideration of Costs

Orders are routed to market makers and/or market centres where opportunities for price improvement exist. The criteria to be used by other market-makers and/or market centres include, automatically matching incoming market and limit orders to pending limit orders; crossing transactions where price improvement can be offered to one or both sides of the trade.

Size Improvement

In routing orders, markets that provide the greatest liquidity will be enhanced and, thus potential for execution of large orders. Opportunities will be sought after, for client orders to benefit from order size commitments offered by third parties.

Overall Execution Quality

Brokers would draw on extensive day-to-day experience with various markets and market makers, focusing on prompt and reliable execution when determining how and where to route or execute an order.

When undertaking an order, CardinalStone will endeavour to achieve best execution for its clients, considering several factors including, amongst others, the following:

- a. Price
- b. Costs
- c. Likelihood of execution
- d. Speed of execution
- e. Likelihood of settlement
- f. Size of the trade
- g. Nature of the order
- h. Liquidity of the instrument

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- i. The market on which the instrument is traded
- j. Any other factor relevant to the order

CardinalStone shall inform its client about any material difficulty relevant to the proper execution of orders promptly upon becoming aware of the difficulty.

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3. EXECUTION VENUES

Execution venue means a regulated market or any other trading facility that performs buy and sell transaction of securities. CardinalStone is a Dealing member of The Nigerian Stock Exchange, Participating Institution of NASD, and Associate Member (Brokers)/ Dealing Member Specialists of FMDQ Securities Exchange Limited. The Company places significant reliance on the following Exchange for executing orders (Clients and Proprietary):

- i. The Nigerian Stock Exchange
- ii. NASD
- iii. FMDQ Securities Exchange Limited
- iv. Any other Exchanges

4. EXECUTION FACTORS

CardinalStone considers Execution factors as important due to the underlying assessment. The execution factors consider include:

- a. The characteristics of the client, including the categorization of the client as Retail, Institutional, and Foreign.
- b. The characteristics of the client's order i.e., Good till Month (GTM), Day Order, Good till Open (GTO), Fill or Kill (FOK), All or None.
- c. The characteristics of securities that are the subject of that order, including expected return, risk, liquidity, and volatility.
- d. The characteristic of Execution channels.

4.1 TYPE OF CLIENTS

Clients are categorized under different buckets based on a detailed profiling conducted by the Investment Advisory Team. In CardinalStone, clients are categorised into:

- a. Mass Affluent
- b. High Net Worth Individuals (HNI)
- c. Institutional Clients (local and foreign investors and institutions)
- d. Corporate Clients

4.2 TYPE OF ORDERS

The characteristics of the client's order could be Good till Month (GTM), Day Order (Good for 1 day, Good for 7 days), Good till Cancelled (GTC), Fill or Kill (FOK), and price limit order. Given the risks that arise when trading in volatile markets, the client may want to consider using different types of orders to limit risk and manage investment strategies. All orders shall be maintained in Order book for 10 business days after which it will be removed if not revalidated by the client.

Market order

Client place instructions with a market order to execute a trade of a certain size as promptly as possible at the prevailing market price. Therefore, if the market price moves significantly during the time it takes to fill a client's order, the order will most likely be exposed to the risk of execution at a price substantially different from the price when the order was entered.

Limit order

Clients utilise the limit order to set the maximum purchase price, or minimum sale price, at which the trade is to be executed. A limit order may not be executed immediately as a limit order may be entered away from the current market price. Clients that make a limit order are made aware that they are giving up the confidence of instantaneous execution in exchange for the expectation of getting an improved price in the future.

Stop order

Clients that place a stop order allow selling below the current market price or buying above the current market price if the stop price is reached or breached. This is therefore a "sleeping" order until the stop price is reached or breached.

Day orders

A client can give a day order. This implies that the order only remains valid for the trading day on which it was given. When the order has not been executed by close of business of the relevant trading platform, the order automatically expires.

Trailing stop order

The trailing stop order is a stop order as described above, but the trailing stop price moves according to parameters set by the client. This way the trailing stop can be used to sell if the price drops more than a specified distance from the highest price traded or to buy if the price trades above a set level from the lowest traded price.

Stop Limit Order

A stop limit order is a variation of a stop order as described in Section 6.3 with a lower (higher) limit price to suspend trading if the price falls (rises) too far before the order is filled restricting trading to a predefined price range.

The Role of Price

Where order is received from retail client, CardinalStone shall consider the following:

- a. the price of the securities.
- b. the costs related to execution.
- c. fees for execution, clearing and settlement; and
- d. any other fees paid to third parties involved in the execution of the order.

4.3 CHARACTERISTICS OF THE SECURITIES

The characteristics of securities depend on the

- a. Volume
- b. Availability in the market
- c. Investors' interest
- d. Liquidity of the securities

4.4 AGGREGATION AND ALLOCATION OF ORDERS

CardinalStone shall execute a client's order in aggregation with another client order. It shall not aggregate a client's order with its Proprietary account. For Transparency, Accountability and Professionalism, CardinalStone shall separate Proprietary Trader from Client trader.

5. SPECIFIC INSTRUCTIONS

Clients can place specific instructions either relating to an order or an aspect of an order through various means such as electronic mail (e-mail), Bloomberg and Direct Market Access (DMA)/CardinalStone Online Portal. This would be executed as far as is reasonably possible in accordance with the instruction considering the time and, availability of the orders. Specific instructions may limit the Company from taking the steps that we have put in place to obtain the best possible result for the execution of clients' orders with respect to the elements impacted by such specific instructions.

Clients will usually be encouraged to select parameters where they choose to execute an order to the Company's Direct Market Access (DMA) system; clients will be encouraged to select parameters of the trade (such as the price, the timing, the size and nature of interaction with your selected execution venue). In such a case the Company, while acting on client's behalf in providing the DMA service, will be treated as having satisfied its duty of Best Execution. Clients will be treated as having given specific instructions for the entirety of their order by means of the DMA system.

6. COMPLIANCE WITH TRADING RULES

6.1 MANIPULATIVE BEHAVIOR'S

This is the offence in connection with transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance, including the dissemination of information through the media, including the internet, or by any other means, which give false or misleading signals as to the supply or demand or price of financial instruments. The following have been put in place to prevent manipulative behaviours:

6.1.1 Restriction of access to the trading room or The Nigerian Stock Exchange Trading engine.

Only the Brokers have access to the trading room, unauthorised persons are prohibited from entering. This is to prevent them from having unfettered access to information that is discrete in nature

6.1.2 Functional and dedicated phone lines with recorded facilities.

Functional and dedicated telephone lines with recording capabilities have been provided to ensure that all official conversations are recorded and audited where there is need. Traders are to ensure all official conversations are made using the dedicated phone line.

6.1.3 Regulatory Returns.

Returns must be made to SEC or the relevant Self Regulatory Organisation (SRO) like NSE, NASD, FMDQ etc, in line with their guidelines and rules.

7. MONITORING AND REVIEW

7.1 AUDIT TRAIL

CardinalStone shall establish a system for order tracking and monitoring. This is to ensure that there is an end-to-end trail throughout the life cycle of an order from. CardinalStone has an Order Management System (OMS) which automates orders placed using our online platform (web and mobile) which goes directly to the trading portal without human interference. The OMS has been configured to reject purchase order if the clients account is unfunded for the transaction.

Evidence of audit trail on all modified, cancelled and executed orders, shall be maintained in the CardinalStone's system. This is required to provide visibility into the entire life cycle of an order. To facilitate this, Risk Management, Internal Control, Compliance and Audit unit shall be responsible for tracking the lifecycle of an order and the underlisted shall constitute what will be tracked:

- a. Order Receipt and validation i.e., Date and Time of Receipt, Mode of Receipt, Investor Type, Order Type, Time sent to Custodian, Time of Custodian Confirmation and Detachment.
- b. Order Input on X-GEN i.e., Date and Time of order input on the Trading Engine.
- c. Trade Execution i.e., Time of Execution, Details of Execution (Price, Units, etc.), Time of Reporting.
- d. Trade Settlement i.e., Settlement Date and Settlement Time.

Also, the Asset Management Operations shall generate and save the daily trade logs of all traders

7.2 POLICY REVIEW AND AMENDMENT

The effectiveness of the Best Execution policy and arrangements will be assessed on a regular basis whether it provides for the best possible result for client's orders.

This policy and the order execution arrangements will be reviewed in line with changes in the market. Our clients would be notified of any material changes to the order execution arrangements or this policy and such notification may be made via the Company's website, email, or other means of communication.