



Mizuho Securities Asia Limited

Order Execution Policy

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1. Background

This document provides information regarding Mizuho Securities Asia Limited's ("we", "us" or "MHSA") Order Execution Policy ("the Policy"), which sets out the arrangements implemented by MHSA which are designed to provide clients with "best execution".

MHSA is a Licensed Corporation regulated by The Securities and Futures Commission ("SFC") and as such it is required to comply with the circular to licensed corporations on best execution dated 30 Jan 2018. MHSA is required to have in place arrangements to obtain the best available terms in respect of all types of financial instruments when executing client orders unless specifically determined by MHSA to be exempted based on the reasons and factors set out in this document.

As such, this document sets out the processes we have in place that we believe lead to the delivery of best execution of orders.

This Policy has been provided to support our clients in understanding MHSA's approach to order execution.

Where not immediately defined in the text hereof, defined terms have the meanings set out in the Appendix.

2. Scope

The best execution obligation applies where MHSA executes 'orders' in financial instruments. This includes the following circumstances:

- Where we execute an order on behalf of clients.
- Where we transmit orders to third parties for execution on behalf of clients, including where we are dealing on a back-to-back principal basis.
- Where we agree to 'work' an order on behalf of clients, such that we make decisions as to how the order should be executed.
- Where we otherwise agree to provide best execution.
- In quote driven markets where we determine in accordance with the 'four fold' test that the clients are likely to be relying on MHSA to provide best execution under a principal trade.

Applicability of Best Execution

When MHSA is trading on an agency or back-to-back principal basis, MHSA is obliged to provide best execution to clients. When trading with MHSA, clients may trade with MHSA's affiliates through MHSA. For the purpose of this policy, MHSA is an agent in the transaction even if MHSA's affiliate is the counterparty to the client in an order handled by MHSA. MHSA would therefore still be subject to the best execution obligation in the transaction.

In circumstances where MHSA is dealing as principal with its clients (for example in, client facilitation orders, Guaranteed VWAP ("GVWAP") orders, block trades and fixed income trades), MHSA must apply a four-fold cumulative test to determine if best execution applies by considering:

- Does the client initiate the transaction?
- Is it a market convention for clients to "shop around"?
- Is it a relatively transparent market/does the client have access to sufficient market information?
- Is disclosure made to the client that MHSA does not owe an obligation to provide best execution?

If the collective answer is yes to the above, best execution is not applicable. If the information is limited, or any answer is no, then MHSA generally owes the client an obligation to provide best execution.

In general, the following products have been determined to be carved-out of Best Execution obligations:

- Cash equities; and
- Securities-based lending.

For the avoidance of doubt, MHSA has a best execution obligation to clients if MHSA executes a client's "order" in an agency capacity or in a back-to-back principal capacity, and the four-fold test need not be applied. In circumstances where MHSA is a principal to the transaction with the client, notwithstanding how the four-fold test applies to quote-driven wholesale markets, MHSA shall still provide best execution in those markets if specific circumstances require it. For instance, MHSA shall provide best execution where clients are not in a position to shop around for a price due to the size of a transaction or where there is likely to be little or no price transparency available to the clients. Independent of the best execution obligation, MHSA is still required to offer clients a fair price and also manage any conflicts of interest that may arise.

Any other Mizuho Group entity which accepts an order on behalf of an MHSA client is also responsible for ensuring best execution is provided to the client, in accordance with the regulatory requirements to which it is subject. In addition, as described later in this policy, MHSA monitors the quality of execution provided by the brokers and/or affiliates which it uses to ensure that their execution standard is in line with that of MHSA as if the order was handled directly by MHSA.

3. Summary of the Policy

The order execution arrangements implemented by MHSA in its policy are designed to obtain the best possible execution result and are summarized below.

3.1 Execution Factors

When we execute an order for client, we shall consider the factors listed below to be the most important. Notwithstanding this, there are certain situations in which the relative importance of these factors will change in response to the instructions that clients provide.

- a. Price
- b. Speed of execution
- c. Likelihood of execution
- d. Size and nature of the order
- e. Speed of settlement
- f. Likelihood of settlement
- g. Costs
- h. Other aspects of the order

3.2 *Relative Importance of Execution Factors*

We take into account the following criteria for determining the relative importance of the factors described above:

- (a) The characteristics of the client including factors such as the nature and complexity of the clients business and the sophistication of the client;
- (b) The characteristics of the client order, including where the order involves a securities financing transaction;
- (c) The characteristics of financial instruments that are the subject of that order;
- (d) The characteristics of the execution venues to which that order can be directed.

Whenever there is a specific instruction from clients, we will execute the order following the specific instruction – see section 3.4 impact of a Specific Instruction below.

3.3 *Execution Venues*

Types of Execution Venues

In meeting the obligation to take sufficient steps to obtain the best possible result when executing orders on behalf of clients, we may use one or more of the following venues (either we are a direct member/ participant or we have access through affiliates or third party brokers):

- Trading venues which include Exchanges and third party trading platforms;
- Mizuho and its affiliates where we internalize the orders (either on a risk pricing basis or as back-to-back principal); and
- Market makers and other liquidity providers.

From time to time, we will review the performance of the execution venues and third party brokers to ensure that they are able to continue satisfying the best execution obligation. If their performance is not up to our standard, we may consider using alternative execution venues and third party brokers.

Single Execution Venue

For some financial instruments, there may only be one possible execution venue. In executing an order on behalf of client in such circumstances, we will be deemed to have provided best execution by executing the order on that execution venue.

3.4 *Specific Instructions*

Where a specific instruction as to the execution of an order is received from a client, subject to our legal and regulatory obligations, we shall take all sufficient steps to execute that order in accordance with that instruction. A specific instruction may include the venue on which the client wants an order executed, the price at which an order should be executed, or the time or period of time over which the client wants the order executed irrespective of the price. If we are not able to follow client instructions, we will not accept that order.

It should be noted that any specific instructions provided by clients may therefore prevent us from taking steps that we have designed and implemented in our execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

Where the specific instructions relate to only part of the order, MHSA shall apply its policy to those aspects of the order not covered by the specific instructions.

3.5 *Third Party Brokers and Affiliates*

MHSA may transmit or pass an order received from a client to a Mizuho affiliate or a third party broker in order to execute orders on execution venues to which MHSA does not have access.

When we do this, we will be under an obligation to take sufficient steps to obtain the best possible result for clients by ensuring that the Mizuho affiliate or the third party broker has arrangements in place to provide best execution. On an ongoing basis, MHSA monitors the quality of execution received from the Mizuho affiliates and third party brokers/dealers it uses.

3.6 *Order priority*

MHSA shall handle and execute orders of clients fairly and in the order in which they are received according to time and price priority. Any specific client instruction and market condition may however influence the time at which MHSA handles and executes a client order. Orders of clients or transactions to be undertaken on behalf of clients must have priority over orders for the account of MHSA itself, its affiliates or any MHSA staff.

4. Monitoring and Review

4.1 Monitoring Program

MHSA monitors and reviews the effectiveness of the order execution arrangements implemented by it pursuant to this policy on an ongoing basis, to ensure that best execution is provided consistently and to identify and implement any appropriate enhancements where applicable.

4.2 Responding to Client Enquiries

In the case of any client queries in relation to order execution, MHSA will refer to this policy and our sales coverage representative will provide follow up and/or necessary information relating to the order execution at our discretion.

5. Notification to Clients of MHSA's Order Execution Policy

MHSA publishes a version of the Order Execution Policy for clients on <https://www.mizuho-sc.com/hk>.

If clients have any queries or concerns regarding this policy, they should contact their MHSA sales coverage or the MHSA Compliance Department.