

ULTIMO SECURITIES

Trading Policies



Trading Policies

a) Introduction

Ultimo Securities International Ltd (hereinafter referred to as the “**Company**”) is an Investment Dealer (Full-Service Dealer, excluding Underwriting), regulated by the Financial Services Commission (‘FSC’) in Mauritius.

This Trading Policy should be read in conjunction with our standard terms of business.

1. Best Execution Obligation

When executing orders, the Company has a general duty to act fairly, honestly and professionally under any circumstances considering the client’s best interest. The Company owes a fiduciary duty to clients to obtain the best execution of their brokerage transactions. Failure by the Company to fulfill its duty to clients in obtaining the best execution may have significant regulatory consequences. The Company’s policies are modeled after the guidelines articulated by the regulators; specifically, it believes that, to a significant degree, best execution is a qualitative concept. In deciding what constitutes best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best *qualitative* execution. In making this determination, the Company’s policy is to consider the full range of the broker’s services, including without limitation the value of research provided, execution capabilities, commission rate, financial responsibility, administrative resources and responsiveness.

Execution by brokers: All trades are electronic, fully regulated and transparent.

The Company shall not execute any investment transaction if, to its knowledge, having made all reasonable enquiries, it would result in a breach of any restrictions provided under the laws of Mauritius.

The Company shall take all reasonable steps to determine whether a proposed investment transaction is to be made by or on behalf of a foreign investor

2. Trading Process

2.1.1. Opening a Position (CFDs)

Steps:

- (i) Client logs into own online account and issues instruction to open a trading position clicking preferred CFD product and intended trade move (buy/sell)
- (ii) The Team receives electronic instruction
- (iii) Initially, the Team reviews the order for compliance with the law and exchange trading rules
- (iv) Order sent to dealing department for execution
- (v) Dealing Department immediately sends the trade instruction to the liquidity provider (Diagram 2)/ Dealing Department executes the trade in cases of dealing on own account (Diagram 3)

- (vi) Confirmation is sent to the client account confirming trade has been placed/executed and account position updated on the platform

Diagram 1: Diagram showing Order Execution Flow Chart when the Company acts as an intermediary to the transaction.

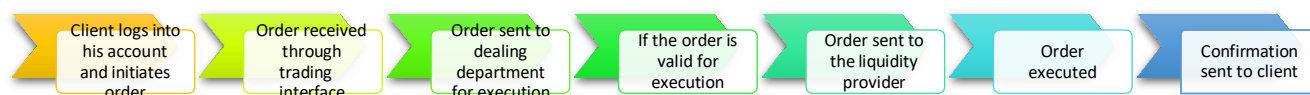
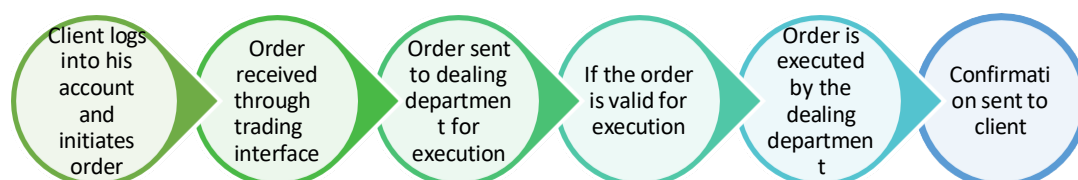


Diagram 2: Diagram showing Order Execution Flow Chart when the Company is dealing on own account



2.1.2. Closing a Position (CFDs)

Steps

- (i) Client logs into own online account and issues instruction to open a trading position clicking preferred CFD product and intended trade move (buy/sell)
- (ii) Client issues instruction to close a trading position by clicking the target open CFD contract and instructs to close out position
- (iii) The Team receives electronic instruction and reviews for compliance with trading rules
- (iv) The instruction to close the trading position is automatically sent to the liquidity provider/ Dealing Department reviews, approves and closes the trade when dealing on own account
- (v) Confirmation is sent to the client account confirming trade has been placed/executed and account position updated

2.1.3. Withdrawal Process

- (i) Client logs into online account or send us an email and instructs us of his decision to withdraw
- (ii) The Team evaluates request vis a vis open trade positions and margin call

requirements along with exchange trading rules.

- (iii) The Team submits withdrawal instruction along with destination bank account details to compliance for approval
- (iv) The Team approves/rejects request
- (v) If approved finance issues payment via wire or any other permitted mode of payment.
- (vi) The Team communicates to client of confirmation of wire via email and online account

2.1.4. Trades Confirmations

Once the trade has been executed, the client will see on his/her account, and at the end of each day, the Company sends a statement with the following:

- (i) Closed Transactions
- (ii) Open Trades
- (iii) Working Orders
- (iv) Financial position

b) Execution of trades

How we shall ensure best execution of client trades?

All trades are executed to leading liquidity banks using market execution with no re-quotes, no dealing desk or human intervention and no trading restrictions.

The Company will ensure the feeds provided are for best execution of its clients through provision of Best Execution, the Company takes into account the following Execution Factors:

- price;
- costs payable by the client as a result of execution;
- speed of execution;
- likelihood of execution;
- size and nature of the order;
- likely market impact;
- risks relevant to the execution;
- nature of the market for the Financial Instrument, and;
- any other consideration deemed relevant to the execution of the order.

c) Execution Venues

This Trading Policy sets out the venues on which we may transact your order. We will act as the sole execution venue for all client orders which are executed on an 'Over the Counter' (OTC) basis. We have identified those venues on which we will most regularly seek to execute your orders, as well as venues that we believe offer the best prospects for achieving the best possible results for you, taking into account the factors detailed below.

We are able to transact trades on your behalf via the following execution venues:

- i. Our liquidity providers;

- ii. Regulated markets;
- iii. Where appropriate our customer base in the over the counter (OTC)markets;
- iv. Multilateral trading facilities operated by a third party;
- v. Systematic internalizers.

When selecting the venue on which to transact trades we will take reasonable measures to ensure that the selected venue obtains the best possible trading result for our clients, subject to the following factors:

- i. In the markets in which we operate, we can only give clients visibility to prices that have been communicated to us;
- ii. We will provide details of all tradable bids and offers (via the platform and subject to the other matters referred to below);
- iii. Time availability of prices – in many markets there are lulls and spikes in trading as negotiations align trading interests at different times and different parts of the curve, accordingly the “last traded” price may not always be available or act as a reliable indicator of current price;
- iv. We cannot allow clients to trade in a market unless we are reasonably satisfied that the client (via an agent or otherwise) is capable of settling the relevant trade; and
- v. Fees may vary between clients, based on agreements and levels of activity.

d) Trade Errors

A trade error occurs when there is a deviation from the general trading practices involving transactions and settlements of trades for a client’s account. Part of the Company’s fiduciary obligation is to identify and correct these errors as soon as discovered. It has been accepted in the industry to recognize the following as trade errors:

1. A *sell* is executed as a *buy*;
2. The over/under allocation of a security i.e., a coma is placed in the wrong place or an additional 0 is added (1,000 turns into 10,000);
3. An incorrect ticket symbol (C instead of S)
4. Trade takes place in an incorrect account number;
5. A purchase or sale order fails to be executed
6. Limit order is executed at market price;
7. Block trades are allocated inaccurately;
8. Client account does not have the funds to settle the transaction;
9. The purchase or sale of securities is transacted in violation of the client’s investment

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or guidelines;

10. The purchase or sale of securities for non-discretionary clients are executed prior to or without receiving client consent, or without proper documented authorization.

The following types of errors will not be deemed to be a trade error ~~as defined by your RIA:~~

1. An incorrect trade that was caught prior to settlement thereby not having a negative impact on your client;
2. A trade that was improperly documented;
3. The rewriting of tickets that describe or correct improperly executed transactions;
4. Errors that are made by unaffiliated third parties (broker/dealer, custodian, etc.). Although keep in mind, as a fiduciary, you are responsible to review the trades and ensure that third party errors are favorably resolved;

The Company's policy is to ensure that clients are never responsible for a trade error. If the Company is responsible for the error, it will correct the error the same day if possible. If a third party is responsible, the Company will oversee the resolution. Any loss will be reimbursed to the client in the form of a statement credit or check written by the Company, if the custodian or broker/dealer does not cover it under the deminimis.

All trade errors must be timely addressed to the Compliance Officer ('CO') once discovered. The CO should document when the trade error and whether the Company is responsible. If responsible, the Company must then look to correct the error immediately, following fiduciary standards acting in the client's best interest. Any client losses must be reimbursed by the Company for the full amount of the loss, including the reimbursement of the transaction fees. If there is a profit resulting from the error:

1. The Company may elect to allow the client to retain the profit;
2. The custodian of broker/dealer may retain the profit; or
3. It is best practice to hold the profits in a Company trade error account in accordance with the Company's accounting standards and donated to charity annually.

All payments made to clients will be properly documented.

e) Trade Error File

The Company will maintain a trade error log. All trade errors will be properly documented and maintained by the CO.

f) Market Execution

Market execution is when an order is executed at the best price available directly to the markets, where global banks and financial institutions act as liquidity providers. Orders are executed without any dealing desk manipulation or intervention. Market orders do not experience re-quotes and are executed on a "fill or kill" basis. By using leading broker technologies, traders experience low latency, fast execution and accurate order filling that are beneficial for high frequency traders and scalpers.

g) Use of Technologies to Reduce Latency

Fast order execution is critical to ensure that orders are filled accurately, however, latency can cause delays and lead to orders being filled at the next available price (slippage). The Company tackles latency head on by using fast platform to execute orders with superior, fast and low latency order execution for every trader.

h) Slippage

When trading market execution there are no re-quotes and no orders are rejected, however normal latency in the markets can lead to orders being executed at the next available price (slippage). Slippage is often referred to as negative, but in fact slippage can also be positive for the trader as they experience price improvement with best execution policies.

When exiting an order or when your stop loss/take profit is attempting to be filled, rapid market movements could mean that the price you want to fill at is not available to trade in the market (it past already or didn't exist in the market) and the order is filled at the next available price. Slippage is more likely during volatile market conditions when quoted prices are fluctuating rapidly.

To increase your execution speeds and lower latency, the Company offers a free Virtual Private Server (VPS) Hosting facility that allows clients to trade rapidly and efficiently.

i) Trading Strategies

Pre- and Post-Trade transparency is an important factor for all trading strategies and all clients should assess any Broker conflicts of interests, transparency, conditions and execution philosophies. At the Company, we support high frequency trading, profitable expert advisors and specialist strategies by offering transparent and beneficial trading rules such as no minimum market distance limits, core spreads and minimum market increments to deliver the best environment we can for you to trade successfully.

j) Monitoring of trade

The Company will put in place a robust trade monitoring system. With our systems and trade compliance monitoring processes, we are able to monitor and detect rogue algorithms in real-time, check for the manipulation of the market at the end of the day and everything in between. Our proven platform and experienced, well-trained employees of the dealer team enable us to combine real-time and historical data to detect suspicious trading patterns on our platform.

Trade monitoring cycle shall be in two phases;

- a. Pre-trade monitoring;
- b. Post trade monitoring.

A summary of the monitoring processes, mechanisms and capabilities are detailed below.

- a. Human Surveillance
 - Real time and post trade monitoring via trade / order surveillance system to detect market abuse and improper trading behaviour
 - Escalating suspicious transactions and conducting follow-up investigations

- Monitoring of electronic and voice communications to meet regulatory requirements

- Undertaking ad-hoc monitoring reviews (both desk-based and thematic reviews) in line with the Compliance Monitoring Plan
 - Identifying front office training needs highlighted during monitoring and business reviews
 - Assisting with audit visits and investigations or queries from regulators
 - Assisting with ad hoc work, investigations and projects as required
 - Liaising with all internal control functions to assist in the identification of monitoring- related issues, and the resolution and closing of outstanding monitoring, investigation or other control findings
 - Assisting in the preparation of compliance management information
- b. The Company monitors its execution arrangements on an ongoing basis by selecting appropriate samples of orders executed and evaluating the samples as described below:
- Evaluation of Execution Quality:
 - Price Latency
 - Speed of Execution
 - Frequency and Duration of Price Freezing
 - Depth of Liquidity
 - Price Transparency
 - Re-quotes
 - Comparing prices relayed by price feed providers with the prices quoted by the Company
 - Monitor Slippage on a regular basis to identify whether is asymmetric or not Monitor IT infrastructure (responsiveness of interfaces used, adequate integration with data providers, etc.)
- c. MT4/MT5 Trade Compliance monitoring capabilities

Assisting the trade monitoring shall be a string trade monitoring module within our MT4/MT5 trading platforms. Below is a summary of the capabilities of the said software.

Capability	Detail
Pre-defined alert scenarios	<p>We have a robust mechanism built to alert the investment dealer team of risk scenarios of various nature, including but not limited to;</p> <ul style="list-style-type: none"> • Insider trading • Front running • Wash trades • Price ramping • Layering • Quote stuffing • Order-to-trade ratio monitoring • Trading volume spike • Trading price spike • Spreads and comparisons • Passive and large orders monitoring

Alert & case management	<p>The trade monitoring system is organized such that we have a convenient and robust case management module. This includes such capabilities as;</p> <ul style="list-style-type: none"> • Feature-rich tools to triage alerts and manage investigations • Fully audited workflow
Reporting	<ul style="list-style-type: none"> • Pre-defined reports to support investigations and manage operational performance

We shall therefore combine human skill, experience and technology to ensure we monitor trading activity diligently to ensure that our traders observe all laws, rules, guidelines and international best practice.

k) Portfolio Management Processes

The Company provides discretionary account management on a continuous basis. The Company invests in public equities, cash and other securities that are deemed suitable, governed by the investment management agreements in place. Certain investors may require pre-approval prior to investing in any securities other than public equities, which is stated in any such side letter.

l) Research Processes

The investment team utilizes information obtained from a wide variety of sources. Increasingly, the internet and new databases provide a wealth of ideas and information to enhance the Company's research.

Industry research is used to supplement the Company's own research efforts. The Company employees research investments on a daily basis. Examples of on-line resources include financial news websites, and Reuters.

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