

# COWEN

## ORDER HANDLING POLICY

### GLOBAL CREDIT

#### PURPOSE

This Order Execution Policy (“Policy”) provides information to Clients of Cowen International Limited, ((together “CIL”, “we” or “us”) on when, where and how best execution is delivered by CIL in respect of each class of financial instruments, as relevant, for its Clients.

Under Article 27 of the EU Markets in Financial Instruments Directive, 2014/65/EU, (“MIFID II”), CIL is required to establish and implement a Policy to obtain, for their Clients orders, the best possible result in accordance with the prevailing requirements.

This Policy specifically speaks to the Global Credit trading platform.

This Policy contains the following main sections:

- **SCOPE**
- **EXECUTION FACTORS**
- **EXECUTION MODEL**
- **ORDER HANDLING**
- **EXECUTION FACTORS**
- **COMMUNICATION WITH CLIENTS**
- **GOVERNANCE AND MONITORING**
- **CONFIDENTIALITY**

As a firm regulated and authorised by the Financial Conduct Authority (“FCA”) in the United Kingdom, CIL is required to take all sufficient steps to obtain, when executing orders, the best possible result for our Clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

Aside from the explicit best execution rules explained in this Policy, we have an obligation to act honestly, fairly and professionally in accordance with the best interests of our Clients.

#### SCOPE

This Order Execution Policy applies to Professional Clients (within the meaning of FCA and MiFID II Regulations).

This Policy applies to all Clients to whom CIL provides trade executions without making a distinction on whether the Client is resident in the EEA, and regardless of where the transaction is executed.

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This policy covers receiving and transmitting client orders for execution and executing orders and requests for quotes on behalf of clients.

## ***“All sufficient steps”***

MiFID II Article 27(1) defines best execution as the obligation on firms to *“take all sufficient steps to obtain . . . the best possible result for their Clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to execution”*.

CIL’s approach is focused on achieving the best possible overall results on a consistent basis, and not merely best price for an individual order. CIL cannot guarantee success of each order but can guarantee best efforts in obtaining an executable trade.

For quote driven activity, such as certain trading in Credit markets CIL will consider where Clients may be placing legitimate reliance on CIL. See below “Execution Model”.

Where appropriate, after a consideration of all the relevant factors it is concluded that Clients are in fact placing legitimate reliance on CIL, this Policy will be applied to relevant quotes requested by Clients

## **EXECUTION MODEL**

Orders for bonds are generally placed on the OTC markets, which are characterized by proprietary trading transactions, are decentralized, fragmented and have low pre-trade transparency, because the counterparties generally do not make the prices quoted available to a broad market. Rather, these prices are negotiated on a bilateral basis between the counterparties. These counterparties often have proprietary holdings in these instruments, for which they quote prices. Unlike on the equity markets, the choice of counterparties for bonds is often limited. In many cases, as the products are only offered by a limited number of counterparties, there is not much transparency in terms of liquidity or price. In volatile non-transparent markets, it may be necessary to accept the first price offered without the opportunity to obtain or request other prices. Moreover, there may be bonds offered exclusively through one counterparty, or for which settlement of an order of a certain size can only be guaranteed by one counterparty, in which cases it is not possible to obtain a comparative offer. The various instruments are traded with the counterparties either electronically or by telephone.

Trade orders are ordinarily initiated by the client in a discontinuous OTC bond market (“OTC markets”). Due to the nature of the illiquidity, CIL prices the bonds based on current market demand. Once the client order is received by CIL, the execution factors are considered and then transmitted to Cowen and Company, LLC, for execution.

CIL believes that routing orders via Cowen and Company, LLC enables it to obtain results for its Clients that are at least as good as the results it could reasonably expect to obtain from using alternative entities for execution.

Whether CIL owes the Client best execution will depend on whether the Client is legitimately relying on CIL to protect their interests in relation to the pricing and other elements of a transaction.

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Each specific transaction needs to be assessed in order to make a determination as to whether the client is 'legitimately relying' on CIL to protect their interests.

In order to determine whether a professional client is 'legitimately relying' on CIL in relation to a particular client order for fixed income transactions (whereby best execution is therefore owed to the client), the following four factors are considered:

- Whether we or the Client initiates transactions – where the Client initiates the transaction, this suggests that it is less likely that the Client will be placing reliance on us. As part of our general relationship, we may communicate trade ideas, relevant market opportunities or indicative prices to the Client. However, we do not consider that this means that we will be deemed to have initiated the transaction.
- Shop around – where the market practice suggests that the Client takes responsibility for the pricing and other elements of the transaction and the market practice is to obtain quotes from various sources, it is less likely that the Client will be placing reliance on us.
- Relative levels of transparency within a market – if we have ready access to prices in the market in which we operate, whereas the Client does not, it is more likely that the Client will be placing reliance on us, whereas if our access to pricing transparency is broadly equivalent, it is less likely that the Client will be placing reliance on us.
- The information provided by us and any agreement reached: Where the arrangements and agreements with a Client (such as CIL's Terms of Business or this Policy) state that CIL will provide best execution, it is more likely that the Client will be placing reliance on CIL.

Where the consideration of the above factors concludes that there is no legitimate reliance on CIL, then best execution will not apply.

## **ORDER HANDLING**

Orders must be accurately recorded and executed sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests or instructions of the Client require otherwise.

CIL never induces Clients to instruct CIL to execute an order for the purpose of generating an order in a specific security. As applicable, and subject to discretion provided by Client, CIL may provide execution consultancy for orders a Client has placed. To this effect, CIL's trading desk may suggest what execution strategy may be best suited to achieve the Client's desired results.

Where CIL has discretion in relation to an order, Clients may also specify the manner in which that discretion is to be exercised by providing qualitative instructions, such as a view of the market/sector/financial instrument or whether the order is part of a larger order or contingent on another.

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Where the Client has made its own trading decisions using its discretion, it is not relying on CIL to act in the Client's best interests to obtain the best possible result.

## EXECUTION FACTORS

In order to achieve the best possible result for you, CIL will give consideration to a range of execution factors when determining the best outcome prior to transmitting the order to Cowen and Company, LLC, for execution. Some of the below factors are considered to be more important than others; however, there are situations where the relative importance of these factors may change in accordance with instructions that you provide or as a result of broader market conditions:

- **Price:** this is the price at which a financial instrument is executed.
- **Transaction cost, market impacts and risks relevant to the execution:** this includes implicit costs such as the possible market impact, explicit external costs e.g. exchange or clearing fees.
- **Speed:** time it takes to execute a client transaction.
- **Likelihood of execution:** the likelihood that we are able to fill your order, or at least a substantial part of it, in its entirety.
- **Size and nature of the order:** this is how the size of the transaction executed for a Client affects the price of execution.
- **Nature of the market for the financial instrument:** this is how the particular characteristics of a Client transaction can affect how best execution is received.

Some execution factors will be considered more important than others. Orders might potentially be subject to all execution factors, but the relative importance of each factor is determined by the execution criteria, which include the following contributing elements:

- order typology (nature of the order)
- the overall objectives of the Client's order
- the liquidity profile of the instrument(s)
- the size of the order
- general market environment and prevailing market conditions
- CIL traders' knowledge of the Clients' order-handling preferences.

When executing a Client order, CIL will give priority to price. CIL will then prioritize liquidity and speed in order of importance. However, the nature or circumstances of an order may mean that the relative importance of the execution factors should be different. CIL attempts to treat each order on a case-by-case basis.

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The following provides an example of the execution factors prioritization that may be applied:

1. Likelihood of Execution
2. Price
3. Costs
4. Size
5. Speed
6. Other Considerations

CIL cannot guarantee that it will always be able to provide best execution of every order received on behalf of its Clients or orders that CIL executes directly on behalf of its Clients.

CIL's approach is focused on best possible overall results on a consistent basis, and not merely best price for an individual order.

## ***Application of execution factors and execution criteria – scenarios***

Set out below are couple of the most common ways in which the order of relative importance of the above factors may differ and an explanation of why this might be the case:

The size of the order in relation to the liquidity or volume may prevent speed from taking precedence over likelihood of execution. Such de-prioritization may result in interacting more passively with the market to avoid unacceptable price impact to the detriment of the Client's interests. Under these circumstances price remains the primary execution factor.

Speed may be de-prioritised while price would continue to be important in situations where the Client is expecting the order to be completed and there is ample time to execute the order with available liquidity. In such scenarios the likelihood of execution is an important factor in order to complete the order and CIL may therefore execute by applying a more passive execution strategy where a lower participation rate may be used to reduce any market impact and maximize the price obtained.

## **COMMUNICATION WITH CLIENTS**

### *Timely Block Trade Confirmations*

We will provide you with trade confirmations and recaps in a timely manner on trade date.

### *Timely Allocation Trade Confirmations and Settlement Instructions*

We will affirmatively confirm, or identify differences, with all trade allocations provided to us. Such responses will occur on trade date. We will rely on the customers to ensure the accuracy of the settlement instructions prior to settlement date for any allocations.

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## **GOVERNANCE AND MONITORING**

CIL Global Credit focuses on the Discontinuous OTC market. As indicated above, this type of market is characterized by proprietary trading transactions, are decentralized, fragmented and have low pre-trade transparency with prices are negotiated on a bilateral basis between the counterparties. As such, we monitor best execution to the best of our ability, and taking into consideration execution factors, the best overall results for our client orders.

Where requested by a Client, CIL will demonstrate that execution of a Client's order has been undertaken in accordance with this Policy. However, and as noted earlier, demonstrating best execution will not necessarily involve a transaction-by-transaction analysis, but may involve an assessment of a series of transactions executed over a period, thus demonstrating that, overall, the best result was achieved in accordance with this Policy.

We will review this Policy at least annually to consider whether both Policy and best execution arrangements include all sufficient steps to obtain the best possible result for the execution of orders.

## **CONFIDENTIALITY**

We treat all Client information and their trading activity as confidential, proprietary and subject to the highest degree of protection that our firm provides. This information includes, but is not limited to: Client identifying information, trade inquiries or orders, trade executions, trade give-ups, as well as position details.