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MiFID II Top 5 Execution Venues Reporting Information – Qualitative Disclosure

27 April 2022

The Markets in Financial Instruments Directive - MiFID II mandates that investment firms, as part of their best execution obligations, report their top five venues for all trading on behalf of clients. Firms are required to make an annual public disclosure detailing these order routing practices for retail and professional clients across all asset classes.

Requirement of the Directive

Best execution rules are intended to protect investors by ensuring that investment firms seek 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 the execution of the order.

For each class of financial instruments, Investment firms are to publish a summary of the analysis and conclusions they draw from their detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year. The information required to be provided is as follows:

- a) **An explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;**

ADG Markets Limited's ("ADGM" or the "Firm") delivery of best execution is a key element in its commitment to act in the best interests of its clients, as well as being a regulatory requirement. The Firm prioritises taking all sufficient steps to obtain the best possible result for its clients when it executes, places or transmits orders on their behalf. This means taking into account the 'execution factors' such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

The relative importance of the execution factors is judged on an order-by-order basis in line with the Firm's industry experience and prevailing market conditions, as well as any specific instructions issued by the client accompanying the order. Where ADGM determines that, due to current market conditions, a client may favour one execution factor over another, this is discussed with the client.



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As a result of ADGM's typical business, i.e. trading in listed option instruments on behalf of professional clients; the determining execution factors are generally price and market impact. However, this may vary with each individual transaction. For example, size will be a key determinant of best execution in a situation where size relative to available liquidity is high; where the ability to complete the trade with a counterparty may take priority over price or cost. It should be noted that if specific instructions are received from or on behalf of a client, ADGM will give priority to that instruction over the provision of its Best Execution Policy. Where derivatives are executed at the Firm's discretion, key factors considered are price, observed volume on exchange, and overall transaction costs.

b) A description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;

Where ADGM executes orders on the Eurex exchange and liquidity is a key consideration, the Firm will source prices from the Eurex Central Order book or one or both of two regulated market makers within the ADG group: ADG Market Making LLP ("ADGMM") and ADG Europe Ltd ("ADGE"). In order to determine the best execution solution, ADGM will consider the available liquidity, price and market impact. If ADGM decides that it is likely to achieve a better result for the client order by dealing through an affiliated firm, then the client's order will be executed with ADGE or ADGMM and subsequently commuted to the client utilizing the Eurex Block Trade facility. This is deemed to ensure better or equivalent pricing to the market while protecting order anonymity, as both affiliated market makers trade similar products to ADGM and can execute large orders without disclosing the presence of the order to the market, limiting the possibility of the order itself pushing up the price. It should be noted that order anonymity provided by ADGMM and ADGE is often a determining priority for ADGM's clients.

c) A description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;

ADGM has not entered into any arrangements with its execution venues regarding payments made or received, discounts or non-monetary benefits that would compromise its ability to meet its obligations in regards to best execution, conflicts of interest or inducements.

ADGM may on occasion receive or provide minor non-monetary benefits from or to execution venues. They must be received/provided in accordance with the Firm's Inducements policy and in no way affect ADGM's prioritisation of best execution for its clients

d) An explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred;



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There were no changes to the list of execution venues listed in the Firm's execution policy.

e) An explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements;

ADGM is licenced to provide its services to Professional Clients and Eligible Counterparties and whilst it does consider the characteristics of its clients when judging the relative importance of the execution factors, all orders are treated equally.

f) An explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;

Not applicable. ADGM is not licenced to provide its services to retail clients.

g) An explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575;

ADGM completes regular monitoring of the quality of execution for trades that it executes. The monitoring has been designed to analyse all execution factors that are required to be considered by law, as well as any other consideration relevant to the execution of the particular order. Where possible, monitoring is customised by asset class to reflect differences in the execution factors and their priorities as well as the characteristics of the markets in which these asset classes are traded. Monitoring is continuously performed, from daily checks to quarterly reviews. We analyse our order execution policy on at least an annual basis in accordance with the rules. As part of our best execution monitoring procedures we have considered the available data published under Commission Delegated Regulation (EU) 2017/575 by the trading venues we have used.

h) Where applicable, an explanation of how the investment firm has used output of a consolidated tape provider.

Not applicable. The services of a Consolidated Tape Provider were not available during the period to which this disclosure relates.

The data above is based on execution data during the period from 1st January 2021 to 31st December 2021 inclusive. This legislation requires the reporting of executed orders in three bands - passive, aggressive or directed orders for the previous year. Please refer to the quantitative report for further information.