



## ORDER EXECUTION AND ORDER HANDLING POLICY

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## Introduction

1. **eToro (Europe) Limited** is regulated by the Cyprus Securities and Exchange Commission (CySEC) and undertakes all sufficient and necessary steps in accordance with the section 28 and 29 of the Law 87(I)/2017 to ensure the best possible result when executing the Clients' instructions.
2. As part of the Client Order Execution, we take all reasonable steps to achieve the best possible outcome for our Client by executing those orders in accordance with this Policy, subject to any specific instructions received from the Clients'.
3. This Summary Best Execution and Order Handling Policy ("the Policy") is provided to you (our Client or prospective Client) in accordance with the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments (MiFID II) and Amending Directive 2002/92/EC and Directive 2011/61/EU and with the implementation in Cyprus legislation on the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters Law 87(I)/2017, as subsequently amended from time to time ("the Law"). Pursuant to the Law, eToro (Europe) Ltd ("the Company") is required to take all sufficient steps to act in the best interest of its Clients when receiving and transmitting Client Orders and to achieve the best execution results when executing Client Orders and to comply, in particular, with the principles set out in the Law when providing investment services.
4. **"Cryptocurrency"** means a digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. Please be aware that, since Cryptocurrencies markets are decentralized and non-regulated, the Cryptocurrency Trading Services rendered under the Cryptocurrencies Trading Addendum are unregulated services. Please note that as part of the Cryptocurrencies Trading Service, eToro may be relying on third party service providers (including affiliated companies) to buy or hold the Cryptocurrencies on your behalf and those third parties may be based outside of the EEA and/or may be unregulated.

## Scope

1. This Policy applies to Retail and Professional Clients (please refer to [Company's Client Categorization Disclosure](#) for more details)
2. This Policy applies when receiving and transmitting Client Orders or executing Client Orders for

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the Client and when taking decisions to deal for all types of financial instrument, as applicable, offered by the Company to the Client.

3. The Company acts for all the clients as Principal and not as agent on your behalf. And therefore we act as the sole execution venue for all the orders placed. The Company executes transactions for the clients in capacity as market maker and you will be dealing with us and not with the underlying market. To prevent irresponsible risk taking, we apply prudent risk management model, and as part of it, we may hedge our positions with clients on a back-to-back basis with other execution venues (including using straight-through processing or STP technology) and in this case the quoted prices may differ from the execution prices, resulting in negative or positive slippage. We apply symmetrical slippage for all clients' orders. The main method we use to satisfy our obligations for best execution is by ensuring that our price formation mechanism for our bid/offer prices, used to execute your transactions, we pay due regard to the market price for the underlying reference product to which your transaction relates. This reasonable expectation will be supported by relevant data published in accordance with Article 27 of Directive 2014/65/EU or by other internal analyses conducted by the Company.
4. The order of importance of the execution factors is generally the same across all our products and markets; that for all retail clients the best possible result will be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution.

## Client's Consent

By accepting our Terms and Conditions, including all addendums, the Client is entering into a Client Agreement with the Company for the provision of Investment Services and is also consenting to an application of this Best Execution and Order Handling Policy.

## Amendment of the Policy and Additional Information

The Company reserves the right to review and/or amend its Policy and arrangements whenever it deems this appropriate according to the terms of the Client Agreement between the Client and the Company. Should you require any further information and/or have any questions about this policy please direct your request and/or questions to our Customer Service team at <http://bit.ly/CSCentre>.

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## Execution Factors

The Company shall take all reasonable steps to obtain the best possible results for its Clients taking into account the following factors when executing Clients' Orders:

### A. Price

For any given financial instrument, the Company will quote two prices: the higher price (ASK) at which the Client can buy (go long) that financial instrument, and the lower price (BID) at which the Client can sell (go short). Collectively, the ASK and BID prices are referred to as the Company's price. The difference between the lower and the higher price of a given financial instrument is the typical spread, which may vary according to market conditions and liquidity. Such orders as Buy Limit and Stop Loss, Take profit for opened short position are executed at ASK price. Such orders as Sell Limit and Stop Loss, Take profit for opened long position are executed at BID price.

#### i. Price formation:

1. The Company's price for trading in underlying securities and CFDs are eToro proprietary prices which are calculated by reference to the price of the relevant underlying asset or shares, which the Company obtains from a range of independent third party reference sources and independent financial market data providers, in turn they receive their price data from the relevant exchanges. The Company reviews its third party external reference sources from time to time to ensure that the data obtained continues to remain competitive
2. The Company's prices can be found on the Company's trading platform. The Company updates its prices as frequently as the limitations of technology and communications links allow. The Company will not quote any price outside the [market hours](#). If an order is placed outside the market hours, it will be executed during the Company's trading hours for the selected underlying asset, which may differ from the exchange market opening times. Please refer to the section on Slippage for a description of possible deviations of the price on the market opening.
3. **If the price reaches an order such as:** Stop Loss, Take Profit, Buy Limit, Sell Limit or these orders are instantly executed. However, under certain trading conditions it may be impossible to execute orders (Stop Loss, Take Profit, Buy Limit, Sell Limit) at the Client's requested price. In this case, the Company has the right to execute the order at the first available price.

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4. This may occur, for example, at times of rapid price fluctuations, if the price rises or falls in one trading session to such an extent that, under the rules of the relevant exchange, trading is suspended or restricted, or this may occur at the opening of trading sessions. The minimum level for placing Stop Loss, Take Profit, Buy Limit and Sell Limit orders, for a given financial instrument, is specified in the trading platform when an order is placed. eToro does not guarantee any order. Placing stops, regardless of the entry or closing designation, does not guarantee that the trade will be filled at the order price. All entry Stops and Stops will be filled, upon activation, at the first/best available market price that may or may not match the requested order price

**ii. Slippage:**

1. You are warned that Slippage may occur when trading in financial instrument or other instruments. This is the situation when at the time that an Order is presented for execution, the specific price showed to the Client may not be available; therefore the Order will be executed at the next available price and may not represent the Client's requested price. So, Slippage is the difference between the expected price of an Order, and the price the Order is actually executed at. If the execution price is better than the price requested by the Client, this is referred to as positive slippage. If the executed price is worse than the price requested by the Client, this is referred to as negative slippage.
2. Please be advised that Slippage is a normal element when trading in financial instruments, for example using the back-to-back hedging strategy, if the order is placed outside market hours And while slippage can also occur at any time, it most often occurs during periods of illiquidity or higher volatility (for example due to news announcements, economic events and market openings and other factors) making an Order at a specific price impossible to execute. In other words, your Orders may not be executed at declared prices. It is noted that Slippage can occur also during Stop Loss, Take Profit and other types of Orders. We do not guarantee the execution of your Limit Orders at the price specified. However, we confirm that your Order will be executed at the next best available market price from the price you have specified under your pending limit Order.
3. The Company' approach for dealing with slippage is to transfer to clients both positive and negative price changes symmetrically.

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## **B. Cost**

For opening a position in some types of financial instrument the Client may be required to pay commission or financing fees, the amount of which is disclosed on the Company's website. Commissions may be charged either in the form of a percentage of the overall value of the trade or as fixed amounts. The typical commissions for the list of financial instruments can be found on the Company's website and trading platform.

In most circumstances, the cost (spread) of opening a position is fixed, and no other charges or commissions are applied. CFD trades with leverage are subject to overnight and rollover fees, as indicated at the time of the trade opening.

## **C. Speed of Execution**

Due to the levels of volatility affecting both price and volume, the Company seeks to provide client orders with the fastest execution reasonably possible.

## **D. Likelihood of Execution**

When the Company transmits Orders for Execution or executes it with another party, execution may be more difficult. The likelihood of execution depends on the availability of prices of other market makers/financial institutions. In some case it may not be possible to arrange an Order for execution, for example but not limited in the following cases: during news times, trading session start moments, during volatile markets where prices may move significantly up or down and away from declared prices, where there is rapid price movement, where there is insufficient liquidity for the execution of the specific volume at the declared price, a force majeure event has occurred. In the event that the Company is unable to proceed with an Order with regard to price or size or other reason, the Order will not be executed. In addition, the Company is entitled, at any time and at its discretion, without giving any notice or explanation to the Client, to decline or refuse to transmit or arrange for the execution of any Order or Request or Instruction of the Client in circumstances explained in the Client Agreement/General Terms and Conditions.

## **E. Likelihood of settlement**

The Financial Instruments of CFDs offered by the Company do not involve the delivery of the underlying asset, so there is no settlement. Settlement of other financial instruments such as transferable securities or cryptocurrencies is the factor which is taken into consideration as part of execution process.

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#### F. Size of order

Please refer to the Company's website for the value of minimum size of an order. The Company reserves the right to decline an order as explained in the agreement entered with the Client. Please refer to the Company's trading platform for the value of the maximum volume of the single transaction.

#### G. Market Impact

Some factors may rapidly affect the price of the underlying instruments/products from which the Company's quoted price is derived and may also affect other factors listed herein. The Company will take all reasonable steps to obtain the best possible result for its Clients.

1. The Company does not consider the above list exhaustive and the order in which the above factors are presented shall not be taken as priority factor. Nevertheless, whenever there is a specific instruction from the Client, the Company shall make sure that the Client's order shall be executed following the specific instruction (refer to Section 7 for further details).
2. The Company invites the clients to bear in mind that the duty of best execution not only relates to price but also involves the consideration of various factors including cost, speed and likelihood of execution and settlement. Even if a trade appears not to have been executed at the best possible price, it does not necessarily constitute a violation of the duty of best execution.

In view of the above, the Company assigns the following relative importance for the above **Execution Factors**:

Factor, in order of importance	Remarks
Price	We give strong emphasis on the quality and level of the price data that we receive from external sources in order to provide our clients with competitive price quotes. We do not however guarantee that our quoted prices will be at a price which is as good, or better, than one that may be available elsewhere.
Costs	We take all reasonable steps to keep the costs of your transactions as low and competitive, to the extent possible.
Speed of Execution	Execution speed and the opportunity for price improvement are critical to every trader and we repeatedly monitor these factors to ensure we maintain our high execution standards.

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Likelihood of Execution	Even though we reserve the right to decline a Client order we aim to execute all Clients' orders, to the extent possible.
Likelihood of settlement	See relevant description in Best Execution Factors (section 3.1 (e) above).
Availability and incidence of price improvement	This factor is taken into account during selection and review of price providers as part of the price quality checks
Size of order	See relevant description in Best Execution Factors (section 3.1 (f) above).
Market Impact	See relevant description in Best Execution Factors (section 3.1 (g) above).

**For Retail Clients**, the best possible result shall be determined in terms of the total consideration, unless there is a specific instruction from the Client (see section 7 below), representing the price of the Financial Instrument and the costs related to execution, which shall include all expenses incurred by the Client which are directly related to the execution of the Order.

**For Professional Clients**, which may have different needs to Retail clients, in certain circumstances, the importance can be given to the other factors, such as speed and likelihood of execution of orders, the size and nature of the order, in order to achieve best results. Our considerations will also include such factors as who initiated the transactions; current market practices and the existence of the convention to “shop around”, relative level of the price transparency on the market.

#### H. Changes to the present Execution policy in extreme market events

Extreme markets or financial crises are volatility resulting in rapid increases or decreases in the prices of assets traded on markets, price crashes and market meltdowns. If these atypical events happen, the Company may take any of the following steps:

- The Company could cease to quote prices if no prices are provided by any of our price providers, so the clients will not be able to close or open positions, SL orders and/or TP orders will not be triggered
- The Company may use other venues or price sources, which are alternative to our main providers, which may affect the quality of our prices
- The Company may widen spreads, so the costs of opening and closing trades will be affected
- The Company will execute orders on the next available price, which can result in slippage
- The Company may reduce the leverage

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- We may re-quote the prices of filled orders (check with legal agreements of our IP and copy)

Specifically, extreme market events may significantly affect our ability to execute orders on the best available prices if at all.

## **Types of Order(s) in Trading Financial Instruments**

### ***(a) Market Order(s)***

A market order is an order to buy or sell a financial instrument at the current price. Execution of this order results in opening a trade position. Financial instruments are bought at ASK price and sold at BID price. Stop Loss and Take Profit execution strategies can be attached to a market order for all our products except of Buy orders for Cryptocurrencies (real asset).

### ***(b) Limit Order(s)***

The Company offers the following types of Limit Orders: Buy Limit, ~~Buy Stop~~, Sell Limit or ~~Sell Stop~~ orders to accounts used to receive and transmit Client Orders in financial instruments for execution. A Pending order is an order that allows the user to buy or sell a financial instrument at a pre-defined price in the future. These Pending Orders are executed once the price reaches the requested level. However, it is noted that under certain trading conditions it may be impossible to execute these Orders at the Client's requested price if the pre-defined market rate is not within the order range. This may occur, for example, at times of rapid price fluctuations of the price, rises or falls in one trading session to such an extent that, under the rules of the relevant exchange, trading is suspended or restricted, or there is lack of liquidity, or this may occur at the opening of trading sessions.

It is noted that Stop Loss and Take Profit may be attached to a Pending Order.

### ***(c) Take Profit***

Take Profit order is intended for gaining the profit when the financial instrument price has reached a certain level. Execution of this order results in complete closing of the whole position. It is always connected to an open position or a pending order. The order can be requested only together with a market or a pending order. Under this type of order, the Company's trading platform checks long positions with Bid price for meeting of this order provisions (the order is always set above the current Bid price), and it does with Ask price for short positions (the order is always set below the current Ask price).

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#### ***(d) Stop Loss***

This order is used for minimising of losses if the financial instrument price has started to move in an unprofitable direction. If the financial instrument price reaches this level, the whole position will be closed automatically. Such orders are always connected to an open position or a pending order. They can be requested only together with a market or a pending order. Under this type of orders, the Company's trading platform checks long positions with Bid price for meeting of this order provisions (the order is always set below the current Bid price), and it does with Ask price for short positions (the order is always set above the current Ask price).

### **Execution Criteria**

The Company will determine the relative importance of the Execution Factors (of paragraph 3 above) by using its commercial judgment and experience in the light of the information available on the market and taking into account:

- (a) The characteristics of the Client order, such as potential for it to have an impact on the market;*
- (b) The characteristics of the Financial Instruments that are the subject of that order;*
- (c) The characteristics of the execution venues, including particular features of the liquidity sources available to the Company;*
- (d) Client Characteristics, including Clients' MIFID categorization.*

### **Client's Specific Instruction**

Where you give us specific instructions, including but not limited to (a) specifying the price of a CFD contract with us, (b) specifying the price at which a CFD contract is to be closed if the market moves against you, or other parameters specified via eToro trading platform, then those instructions take precedence over other aspects of the present Policy.

The Company will continue to apply the Policy for the aspects of an order not affected by the specific instructions.

When eToro provides a discretionary management service in respect of copy trading transactions, we will make all execution decisions on your behalf and will be unable to accept specific instructions which concern the execution of your orders placed as part of copy trading transactions.

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Trading rules for specific markets or market conditions may prevent the Company from following certain of the Client's instructions.

**WARNING:** It is noted that the specific instruction may prevent the Company from taking the steps described in the Policy to obtain the best possible result for the Client in respect of the elements covered by those instructions

#### **A. Execution of Client Orders**

1. Typically, the Company uses automated systems to route and execute client orders.
2. The Company executes the orders against liquidity provided by its own trading book. The Company aggregates the risk from clients' transactions with risks arising on other clients' orders and will undertake hedging activities at other dealing venues in the manner it considers to be most efficient, which include, among others, hedging of clients' orders on back-to-back basis with selected dealing venues. These dealing venues, such as regulated exchanges, MTFs and Liquidity providers, include independent venues as well as affiliated companies of the group. The prices that the Company makes available to clients under this execution model will be based upon the prices available to it from its selected hedging venues or the price providers.

#### **B. Order handling rules**

1. Upon acceptance of a client order and when there is no specific client instruction regarding the execution method, the Company will endeavor to execute that order in accordance with the Best Execution policy.
2. Whenever there is a specific instruction from or on behalf of a Client for the execution of an order, the Company shall arrange – to the extent possible – for the execution of the Client order strictly in accordance with the specific instruction.
3. The Company will satisfy the following conditions when carrying out Client Orders:
  - (a) ensure that orders executed on behalf of Clients are promptly and accurately recorded and allocated;
  - (b) carry out otherwise comparable Client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable;
  - (c) inform its retail Clients about any material difficulty relevant to the proper carrying

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out of orders promptly upon becoming aware of the difficulty.

4. Clients shall be responsible for monitoring all their orders until The Company confirms execution or cancellation of the order.
5. Any order or instruction Clients give to the Company will not take effect unless actually received and acknowledged by the Company. The Company shall be entitled to act upon any order or instruction which it reasonably believes is given by the client or on the client's behalf without further enquiry as to the genuineness, authority or the identity of any such person giving or purporting to give such order or instruction. The execution of an order by the Company shall constitute a binding agreement between the client and the Company on the terms of such executed order.
6. We may in accordance with our Best Execution and Order Handling Policy, aggregate your orders with our own orders, orders of any of our associates and/or persons connected with us including employees and other clients. Furthermore, we may split your orders when executing them. You accept that aggregation and split of your order may result in you obtaining a less favorable price than if your orders had been executed separately.

## Execution Venues

Execution Venues are the entities with which the orders are placed or to which the Company transmits orders for execution. When the Company acts as a principal, it shall serve as the counterparty to the Client orders placed (i.e. principal to principal) and shall be the sole Execution Venue (as defined in Commission Directive 2006/73/EC implementing MiFID) for the execution of Client's orders.

The Company shall act as principal for all transactions except as described herein. The Company acts as an agent only with respect to transactions whose underlying assets are Cryptocurrencies (as defined below) and transferable securities. In these transactions, the Company acts in an agency capacity and the Execution Venue will be the executing broker used by the Company shall use other executing brokers, including affiliated or non-affiliated third parties, to execute the clients' orders.

By providing consent to the present policy, the Client acknowledges that the transaction entered with the Company are not undertaken on a recognized exchange, rather they are Over-the - Counter (OTC) transactions and undertaken through the Company's trading platform, and accordingly, they may expose the Client to greater risks than regulated exchange transactions, such as counterparty risk arising from execution outside a trading venue. We shall provide additional information about the consequences of this means of execution, upon clients' request.

The Company shall only receive third-party payments that comply with Article 24(9) of Directive 2014/65/EU and shall inform clients about the inducements that the firm may receive from the execution

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venues. The Company shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements set out in the legal framework.

## **Selection process for hedging venues and price providers**

Our selection process for liquidity and price providers includes detailed due diligence procedures, and diversification criteria, to avoid over-reliance on the single provider and to ensure protection against data redundancy.

Our liquidity providers and price providers are prioritized for each underlying asset class according to their past performance in providing reliable service and best pricing and market depth.

## **Regular review**

The Company will review this Policy annually and whenever a material change occurs that affects its ability to obtain the best possible result for the execution of client orders.

The Company's Management regularly reviews the overall quality of its order executions and its price formation practices, including its liquidity and price feed' vendors and the available execution and hedging venues. In addition to internally developed assessment parameters, the Company will compare and analyze relevant data including that made public in accordance with Article 27(3) of Directive 2014/65/EU and respective implementing measures.

The Company will amend this Policy on the basis of such reviews if it considers it to be necessary. Any new policy will be made available on eToro's website and will be in force as from publication.

## **Publication of data**

The Company shall make available to the public, without any charges, data relating to the quality of execution of transactions executed with them in its capacity of the execution venue in accordance with the Commission Delegated Regulation (EU) 2017/575. The said periodic reports shall include details about price, costs, speed and likelihood of execution for individual financial instruments and shall be published on the Company' website at least quarterly. In addition to this, the annual report in accordance with the Commission Delegated Regulation (EU) 2017/576.

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