

JPMorgan Securities Japan Co., Ltd.

Best Execution Policy

This Best Execution Policy sets out the processes to be followed in order to execute orders from clients with best terms and conditions, in accordance with Article 40-2 (1) of the Financial Instruments and Exchange Act.

When accepting an order from a client for the trading of securities listed on a financial instrument exchange market, JPMorgan Securities Japan Co., Ltd. (hereinafter, the “Company”) adhere to this Best Execution Policy.

1. Applicable Securities

This Policy applies to share certificates, convertible corporate bonds with warrants, and other securities listed on the Stock Exchange, which fall under the definition of "Listed Share Certificates" in Article 16-6 of the Order for Enforcement of the Financial Instruments and Exchange Act (hereinafter, collectively "Listed Share Certificates").

The Company does not deal in stocks and convertible corporate bonds with warrants in the "Phoenix" issue system which are "tradable securities" as defined in Article 67-18 (iv) of the Financial Instruments and Exchange Act.

2. Definition of Terms

- “PTS” refers to “Proprietary Trading System” as defined in Article 26-2-2 (7) of the Order for Enforcement of the Financial Instruments and Exchange Act.
- “Trading Venues” refer to “Tokyo Stock Exchange (Auction session only, same hereinafter) and PTS” collectively.
- “Dark Pool” refers to “Internal Trading System” as defined in Article 70-2 (7) of the Cabinet Office Order on Financial Instruments Business, etc.
- “Trading Venues etc.” refers to “Trading Venues and Dark Pool” collectively.
- “SOR” stands for “Smart Order Router” (the Company’s system), and more specifically in this policy the function in that system which automatically selects execution venues from multiple Trading Venues etc. by a predetermined method, and routes and places orders.

- “Latency Arbitrage” refers to “a trading strategy utilizing market fluctuations in financial markets, price differences between Financial Instruments Markets, etc. caused by the difference in the time required to execute orders” as defined in Article 124 (2) (i) (c) of the Cabinet Office Order on Financial Instruments Business, etc.

3. Methods to Carry Out Transactions with Best Terms and Conditions

(1) Routing with SOR

The Company has introduced SOR, and is able to execute orders with SOR upon request by the client. Clients have sole discretion to which Trading Venues etc. in below ‘(b) Markets eligible for SOR’, SOR may route orders.

(a) Underlying products eligible for SOR

Listed Shares certificates listed on the Tokyo Stock Exchange (all defined in Tokyo Stock Exchange’s Securities Listing Regulations)

Share certificates (Domestic and Foreign), ETFs (Exchange Traded Fund Beneficiaries), ETNs (Exchange Traded Notes), REITs (Real Estate Investment Trusts), Venture Fund, Country Fund, Infrastructure Fund and Preferred Equity Investment Securities

(b) Markets eligible for SOR

- The Tokyo Stock Exchange: For underlying securities listed on multiple Stock Exchanges, the Tokyo Stock Exchange would be a market eligible for SOR.
- PTS operated by CBOE Japan Co., Ltd. (CBOE Alpha), PTS operated by Japannext Securities Co., Ltd. (J-Market) (hereinafter CBOE Alpha and J-Markets as ‘Eligible PTS’, the Tokyo Stock Exchange and Eligible PTS are referred as ‘Eligible Trading Venue’)
- Dark Pool operated by the Company (JPM-X)

(c) Methodology to select a routing/placing destination

Actual orders of routing or order conditions would differ depending on market situation or SOR setting.

- Initially, unless a limit price is set by other means, SOR routes an order to JPM-X by using the best quote among Eligible Trading Venues as the limit price if JPM-X has liquidity to partially or fully match the order

immediately. The Company publishes the “Japan JPM-X Disclosure” on Company’s web site for JPM-X matching mechanism.

- Subsequently, SOR may route the orders to one or multiple Eligible Trading Venues and JPM-X by considering various factors, including but not limited to limit price on the order, best quotes available at Eligible Trading Venues, likelihood of fill, trading cost and market conditions. In case multiple Eligible Trading Venues have the same best quote, orders would be routed to PTS.

(2) Order routing/placing decision by other methods

- The Company routes below orders to the Exchange selected as the primary market by Bloomberg L.P. : Inclusive of orders such as MOO/MOC/Funari orders or orders with specific conditions etc.
- When an order is executed by the Company’s algorithm, it may designate Dark Pool as the destination for subdivided child orders (hereinafter ‘child orders’) based on factors including but not limited to algorithm parameters, order conditions, likelihood of fill and market conditions etc. In such case, the child orders are routed to the Dark Pool (JPM-X or the Liquidnet Japan Trading System, Dark Pool operated by Liquidnet Japan Inc. (hereinafter ‘Liquidnet Dark Pool’)) specified by the client. Generally, in certain circumstances, the algorithm simultaneously routes other limit orders to the SOR, where the subject order is routed to other Trading Venues etc. in order to source liquidity from other Trading Venues etc.

(3) Not using SOR

Unless specific instructions are given by a client for the execution of an order, the Company will promptly place the order received from the client, as an agency order, on the Stock Exchange market on which the ordered securities are listed. For an agency order placed by a client before or after the session hours of the Stock Exchange, the Company will place the order during the session when trading has resumed on such Stock Exchange .

Unless execution on a specific Stock Exchange is designated by the client, an agency order placed by the client will be placed as follows:

- If the relevant securities are listed on only one Stock Exchange (single listing), the Company will place the order on such Stock Exchange on behalf of the client.

- If the relevant securities are listed on more than one Stock Exchange (multiple listing), the Company will place the order on behalf of the client on the Stock Exchange that Bloomberg L.P. chooses as the primary market for those securities. If inquired by a client, the Company will inform the client on which Stock Exchange the order was placed.
- The Company does not accept the order for Stock Exchanges selected by above mentioned methods where the Company does not have membership. The Company has membership of the Tokyo Stock Exchange and the Nagoya Stock Exchange.

4. Reason for Choosing Transaction Methods

(1) Reason for selecting methods explained in 3.(1) when the client uses SOR

(a) Reasons of using SOR for order execution

The objective of the Company's SOR is to provide clients with comprehensive access to liquidity while considering the clients' instructions in relation to the price. In particular, SOR decides where to route and execute orders considering various factors comprehensively including but not limited to, best quotes available at each Trading Venue, likelihood of fill, execution speed, execution cost, etc., while managing the price impact Trading Venues including the Tokyo Stock Exchange which would contribute to a best execution result for the client. In addition to the Tokyo Stock Exchange, which is the primary market, the Company considers that SOR will be able to provide more liquidity by having multiple Trading Venues as well as an inhouse Dark Pool to possibly route and execute orders in.

(b) Reasons of selecting routing venues and the order

- The Company considers it is reasonable to route the order to JPM-X first in order to access immediately available liquidity while managing the price impact in the Trading Venues including the Tokyo Stock Exchange, at a price within the best bid and offer in the Tokyo Stock Exchange.
- The Company considers it is reasonable for clients to prioritize Eligible PTS venues ahead of the Tokyo Stock Exchange if there is not sufficient liquidity available for immediate matching in JPM-X and if the best bid and offer in the eligible venues are the same, as the quotes of the primary markets may not be impacted by this choice.

Therefore the Company considers SOR's setting on routing order is reasonable.

(2) Reasons for adopting a method of specifying the routing to the Dark Pool by algorithms

As explained in above 3.(2), the Company's Algorithm is able to subdivide received orders and route child orders to Dark Pool. By routing to Dark Pool, the Company considers it is possible to quickly execute orders at a price within the best bid and offer in Tokyo Stock Exchange while managing the impact Trading Venues including the Tokyo Stock Exchange, and providing liquidity. Adding JPM-X and Liquidnet Dark Pool would efficiently provide further liquidity.

(3) Reason for selecting methods explained in 3.(3) when the client does not use SOR

In general, trades on Stock Exchanges have trading demands from many investors and have higher liquidity, a higher possibility of a trade being executed and higher speed of trade execution as various investors are concentrated in such markets. Accordingly, it is natural to understand that trading on Stock Exchanges is generally regarded as reasonable for clients. If securities are listed on more than one Stock Exchange, we consider it is regarded as reasonable for clients to place an order to the Stock Exchange selected as primary market.

5. Others

(1) In the following cases, regardless of the methods stipulated in Section 3 above, the Company will execute the order by the method specified for each of the following cases:

- As a general execution method, for a client with whom the Company has a prior agreement on how the client's orders are executed, considering the specific transactional needs of the client, if the Company determines that it is more advantageous for the client to execute the order by another method that is within such prior agreement with the client, the Company may execute in the Stock Exchange's off-auction market or Off Market, even though it would be executed in Trading Venues or Dark Pool if the Company follows above Section 3.
- If the client has given a specific instruction as below on the execution of an order, the Company follows the instructions regardless the methods specified in Section 3 above and the general execution method in the prior agreement:

Designation of the direct counterparty of the Company's principal book or other clients, trading time or Trading Venues etc. to execute, etc.

- Execution under a discretionary contract or similar arrangement entered into with a client, to the extent permitted by law:
The method the Company chooses from within the scope entrusted under such contract, etc.
- Trading of fractional or odd shares:
Direct transaction with the Company; or the Company places an order on behalf of the client to a trader that deals in trading of fractional or odd shares

(2) Measures for Latency Arbitrage

As mentioned in Section 3 above, the SOR selects venues for routing or placing orders by considering various factors comprehensively including best quotes in Trading Venues and client's selection in the SOR setup which is how the Company also follows as the measure for Latency Arbitrage.

(3) Order handling in case of system incident etc.

In the event of a failure of the trading system or other unavoidable reason, the Company may use a different execution method that is not based on the Best Execution Policy. In such event, the Company will strive to execute the order with the best terms and conditions.

The best execution obligation is an obligation to execute an order by considering various factors comprehensively including cost, speed, certainty of execution and not only the price. Accordingly, even if the method chosen by the Company considering the cost, speed and possibility of trade execution does not subsequently result in best execution solely from a price perspective, this does not necessarily constitute a breach of the best execution obligation.

As of September 1, 2024