

XTB Limited

ORDER EXECUTION POLICY – Options Trading

1. General provisions

We undertake to act honestly, fairly, and professionally in the best interests of Clients. To this end, we have adopted this Order Execution Policy in relation to Options (hereinafter referred to as the 'Policy'). The Policy sets out the detailed rules for the execution of Orders in these Financial Instruments. Its purpose is to achieve the best possible results for Clients.

This Policy forms part of the 'Regulations on the Provision of Brokerage Services (the "General Terms"). The Policy is available on the XTB Website and should be read and interpreted in conjunction with that document.

This Policy applies to Retail Clients (including Experienced Clients) as well as to Professional Clients. Further information on Client classification is provided in the Client Classification Policy at XTB Limited on the XTB Website.

We act in the best interests of the Client. This means that we take all necessary steps to obtain the best possible results for Clients. In doing so, we take into account the factors and criteria set out in the Policy. In implementing the Policy, we do not guarantee the achievement of the best possible results for the Client on every occasion.

In certain cases, we are not obliged, or may not be able, to take actions aimed at achieving the best possible results. This applies in particular where you specify the conditions under which the Order is to be executed. In such a case, we execute the Order in accordance with those specifically determined conditions.

We conduct a review of the Policy annually. We also do so whenever a material change occurs. A material change is one that permanently affects our ability to achieve the best possible result when executing Clients' Orders. We assess whether such a change has taken place and then consider adjustments to the factors that influence our ability to achieve best execution.

We inform the Client of any changes to the Policy in accordance with the General Terms.

At the Client's request, XTB shall provide information demonstrating that the Order was executed in accordance with this Policy.

The Company acts as the counterparty to Transactions that are concluded for the purpose of executing Client Orders. The Company operates in accordance with applicable law and its internal procedure for preventing conflicts of interest.

Client Orders in relation to Options are executed over-the-counter (OTC), i.e., outside a regulated market. Clients provide their prior express consent to this form of execution.

Detailed information on the fundamental principles for handling conflicts of interest, including the receipt and provision of inducements, can be found in the Information on the general principles of management of conflicts of interest. This document is available on the XTB Website.

An Option gives the right, not the obligation, to client, to buy (known as a 'Call Option') or sell (known as a 'Put Option') an underlying financial instrument at a pre-defined rate (known as the 'Strike') at a pre-defined date (known as the 'Expiry'). When buying a Vanilla Option, the buyer pays the Premium for the abovementioned right on opening, and this is collected from the client's account balance.

Before executing Client Orders, the Company verifies whether a market price is available for the given options contract, which it obtains from an independent source. If a market price is not available, the Company may calculate it based on the Delta Calculation Execution Model.

2. Order Execution Models

The Company executes Client Orders according to the following execution models, i.e., methods for determining the Options price:

1. Execution Model – the price at which the Transaction is executed is determined based on the Reference Option price plus a markup.
2. Delta Calculation Execution Model - If a price of a Reference Option is not available for any reason, the price of XTB Option is determined using a pricing model accepted in accordance with Article 329(1) of Regulation No. 575/2013 (e.g. Black-Scholes) and as per the Delta calculation of the Company.

The Company informs the Client of the details of the Order execution, after the Order has been executed. The choice of execution model depends, among other factors, on the following:

- Underlying Instrument,
- Client exposure limits,
- Company exposure limits,
- Liquidity and depth of the Underlying Exchange,
- Order size,
- Frequency of placing Orders,
- Availability and timeliness of Reference Option prices.

When selecting the execution model, the Company aims to achieve the best possible results for the Client.

3. Place of execution of orders

The place of execution of Client Orders concerning OTC Options is XTB, which acts as the counterparty to the transaction. This exposes Clients to counterparty credit risk. The Company will take necessary steps to mitigate these risks through its internal Risk Management arrangements. This means that the Company's obligations arising from the transaction, prior to the final settlement of funds related to that transaction, may not be fulfilled in exceptional circumstances. Upon request, the Company provides additional information regarding the consequences of this method of Order execution.

4. Order Execution criteria

The Company takes all sufficient steps to achieve the best possible results for Clients. For Retail Clients, the Company considers the total consideration (the price of the Option plus all costs associated with executing the Order, including spreads, commissions, and other fees) as the most important factor in achieving the best possible result. It also takes into account the price of the Option or the Underlying Instrument, the costs of executing the Order, the speed and likelihood of the Transaction being executed and settled. The Company also considers the size and type of the Order, technological stability, and other relevant factors.

The Company assigns the following relative importance to the above factors within the Order execution process:

Highest Priority:

1. Option price – the price should reflect the Market Price of the Reference Option as accurately as possible.
2. Costs of Order execution – such as spreads and commissions, which the Company determines in the most competitive manner possible.
3. Speed and likelihood of Transaction execution – execution time should be as short as possible, and the percentage of executed Orders should be as high as possible.

High Priority:

4. Order size – may affect the price due to the available liquidity of the given options contract, the Reference Option, or the Underlying Instrument.
5. Technological stability – the Company makes every reasonable effort to ensure the highest quality and stability of its technology and implements measures aimed at achieving the best possible execution of Client Orders.

Medium Priority:

6. Nature of the Order – may affect the price due to the available liquidity of the given options contract, the Reference Option, or the Underlying Instrument. The Company executes Client Orders in the same sequence in which they are received, except where otherwise specified in the Agreement or where a different sequence benefits the Client.

Other factors:

As already stated above, for Retail Clients, the best result is determined on an overall basis, taking into account the price and the costs associated with executing the Order (total consideration). These costs include all expenses directly related to the execution of the Order.

The Company immediately notifies Clients of any circumstances that prevent the execution of an Order.

The Company executes Client Orders on a dealing on own account basis and acts as the counterparty to the transactions. In certain circumstances, the Company may use external counterparties to hedge its positions. Regardless of the execution method, the Company takes all sufficient steps to ensure that Client Orders are executed on terms that provide the best possible result for the Client.

5. Quotation of prices

On Trading Days, the Company systematically quotes Option prices. It does so based on the corresponding Reference Options or using an internal Options pricing model. The Company ensures that all applicable fees are included in the quoted prices.

A detailed description of Options Trading Days is available in the Terms Tables on the XTB Website.

6. Order Execution

An Order to execute a Transaction on Options is a market order executed at the current price shown in the Investment Account, depending on the offer available to the Client as described on the XTB Website or in the Terms Tables.

Market orders concerning Options are executed based on the VWAP price (volume-weighted average price). Prices shown in the Investment Account prior to placing a market order are for informational purposes only and are not binding. For retail clients, the Company executes Orders with the objective of achieving the best possible total consideration, taking into account both the price of the Option and all costs associated with execution, including spreads, commissions, and fees. The final execution price of the Transaction is provided after execution. If the size of the Order exceeds the liquidity available at a given moment at XTB, the market order will be rejected. The Company provides Clients with details of the final execution and notifies them as soon as reasonably practicable if an Order cannot be executed.

If the size of the Order that can be executed at the Client's price or a more favorable price exceeds available liquidity, it will be rejected.

If the Company needs to hedge its position, it does so as follows:

Under the Execution Model – Company hedges its option position on an ex-post basis. The Company first executes the Client's Order and only afterwards, if deemed necessary, executes its own hedging transaction. The hedge execution does not affect the Client's Order.

7. Orders' time of execution

The Company executes Client Orders in the sequence in which they are received, unless otherwise required by the Agreement, Order conditions, or where an alternative sequence better serves the Client's interest. Standard execution time rules do not apply during market opening.

Delays in Order execution may occur under the following circumstances:

- a) Failures of IT systems or telecommunications networks,
- b) Suspension or halting of quotations for Options, Reference Options, or Underlying Instruments,
- c) Price gaps,
- d) Erroneous quotations from price or liquidity providers,
- e) Data transmission delays,
- f) High market volatility,
- g) Low market liquidity,
- h) Extraordinary market events,
- i) Force Majeure,
- j) Market-specific execution conditions,
- k) Market opening periods,

- l) Publication of macroeconomic data,
- m) Relevant market events,
- n) Detailed Client instructions,
- o) Instrument-specific execution conditions,
- p) Waiting for liquidity provider confirmation,
- q) Execution of pending Orders, or
- r) Other cases specified in the Agreement.

Upon request, the Company provides information regarding the execution time of a specific Order and any reasons for delay. This is handled in the same manner as complaints, per the General Terms and Conditions.

8. Spread Changes

For Options, the Company applies variable spreads when quoting Financial Instrument prices. Further information regarding price quotation is provided in the General Terms.

9. Exercise of rights from the acquisition of Options

When a Client acquires an Option, the Client has the right to exercise it when the Option is in-the-money. For American Options, the Client may exercise the right at any time during the holding period. For European Options, the right is exercised automatically after expiration.

All Option settlements are conducted in cash. This means that Clients are not required to hold funds for purchasing the Underlying Instrument (for call Options) or to hold the Underlying Instrument in the XTB Investment Account (for put Options). Cash settlement involves crediting the settlement amount to the Client's account, reduced by applicable exercise fees and taxes.

The cash received from Option settlement forms the basis for calculating capital gains tax, adjusted for previous losses and Option acquisition costs (premiums).

10. Order Size

If the value of a Client Order exceeds the maximum permitted in the Terms Table, the Company will reject or cancel the Order.

12. Monitoring Order Execution Policy

The Company verifies implementation of this Policy through the following measures:

Verification of quotation quality and market conformity of quoted prices,

Analysis of deviations between executed transaction prices and Trading Platform prices,

Monitoring of Client complaints related to Orders, and

Independent assessments of the Order execution process through internal control or internal audit.