

# Order Execution Policy

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Version 8.1

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## 1. Introduction

This Order Execution Policy document (the 'Policy') sets out the approach adopted and effective arrangements established and implemented by Titan Settlement Custody Ltd (the 'Firm') for (i) the prompt, fair and expeditious execution of client orders, relative to other orders (COBS 11.3.1R(1)), and (ii) order handling, and obtaining the best possible result for the execution of client orders, on a consistent basis (COBS 11.2A.20R-21R).

The Firm's Order Execution Policy and procedures are designed to obtain the best possible execution result on a consistent basis, subject to and taking into account the financial instrument to which the order relates, the nature of the order, the execution venues or Brokers available to the Firm for execution of orders in such financial instruments, and the priorities that the client attaches to its instructions to the Firm in respect of the execution of those orders.

For the avoidance of doubt, an order is an instruction to buy or sell a financial instrument that is accepted by the Firm either to execute itself or for onward transmission to an executing broker, and which gives rise to a contractual or agency obligation to the client. Implicit in the instruction received will be the understanding that the client is relying on the Firm to protect its interests in relation to the pricing or other aspects of the transaction that may be affected by the manner in which the order is executed, either by the Firm or by the entity to which the Firm transmits the order for execution.

The Policy applies only to clients that the Firm has categorised as Professional Clients, as confirmed in writing to the respective clients, and only to dealings in Financial Instruments, as defined in MiFID II.

## 2. Client Order Handling and Aggregation

The Firm takes reasonable steps to execute client orders in a prompt, fair, and expeditious manner, relative to other client orders. The Firm (a) ensures that orders executed on behalf of clients are promptly and accurately recorded and allocated, and (b) executes otherwise comparable client orders sequentially and promptly in accordance with the time of their reception unless: otherwise instructed by the clients; or, the characteristics of the client order or prevailing market makes this impracticable; or, the interests of the client require otherwise. (COBS 11.3.1R-2AUK)

The Firm must not misuse information relating to pending client orders, and must take all reasonable steps to prevent the misuse of such information by any of its staff.

(COBS 11.3.5AUK)

Notwithstanding the regulatory provision for the aggregation of client orders, as a matter of practicality, it is neither the policy nor the practice of the Firm to aggregate client orders.

## 3. Obligation to execute orders on terms most favourable to the client ('Best Execution')

The Firm must take all sufficient steps to obtain, when executing orders, the best possible results for its [clients](#) ('**best execution**'), taking into account the [execution factors](#), namely:

- price;
- costs;
- speed;
- likelihood of execution and settlement;
- size;

- nature; or,
- any other consideration relevant to the execution of an order (for example, the minimisation of the potential market impact of the execution of the client order).

(COBS 11.2A.2R(2))

The relative importance of the execution factors must be determined by reference to the execution criteria which are:

- the characteristics of the client (including the categorisation of the client as retail or professional);
- the characteristics of the client order;
- the characteristics of the financial instruments that are the subject of that client order; and
- the characteristics of the Brokers and/or execution venues to which that client order can be directed.

(COBS 11.2A.8UK(1))

The choice of execution venue will be determined by reference to the prioritisation of the execution factors.

The Firm generally gives a higher relative importance to price when obtaining the best possible result for orders executed on behalf of the client. However, the Firm may also take into consideration a range of different factors, including: the need for timely execution; the availability of price improvement; the liquidity of the market (which may make it difficult to execute an order); potential price impact on the market; the size of the order; the nature of the financial transaction (including whether or not such transactions are executable on a regulated market, over-the-counter, or both); and, the quality and cost-effectiveness of any related clearing and settlement facilities.

The Firm will determine the importance of the execution factors for each class of financial instrument (as set out in Appendix 1) by using its commercial judgement and experience, in the light of the market information available to it, in order to achieve the best possible outcome for its clients. In appropriate cases, this involves interaction with the client to ascertain their requirements, and agreement as to how to proceed in order to satisfy them.

## 4. Orders to which the Best Execution obligation applies

The Best Execution obligation is only owed to a client when the Firm either accepts an order to execute a transaction, or receives and transmits an order for execution, on behalf of that client. Whether the Firm is acting 'on behalf of' the client in such an instance depends in turn on whether the client is placing 'legitimate reliance' on the Firm to protect their interests, and obtain Best Execution, in respect of the transaction to be executed.

Legitimate reliance is determined by reference to the Four-Fold Cumulative Test published by the European Commission, which entails the consideration and application of the following factors:

1. which party initiates the transaction;
2. questions of market practice and the existence of a convention to 'shop around';
3. the relative levels of transparency within a market; and
4. the information provided by the Firm and any agreement reached.

If, after consideration of these factors, the Firm concludes that the client is not legitimately relying on it then Best Execution will not apply.

This Order Execution Policy and the Best Execution obligations within it only apply to client orders in financial instruments as defined for the purposes of MiFID II. The relevant Asset Classes of financial instruments in which the Firm may execute transactions (directly or indirectly), together with the execution venues used in each case, are set out in Appendix 2.

This Order Execution Policy does not apply to orders from or transactions with Eligible Counterparties.

Details of order handling policies relating to each financial instrument are outlined in Appendix 1.

## 5. Execution Venues and Brokers (COBS 11.2A.21R)

Appendix 2 of this Order Execution Policy itemises, for each class of financial instrument in which the Firm executes orders on behalf of its clients, the execution venues that have been identified and selected by the Firm as those that enable it to obtain, on a consistent basis, the best possible result for the execution of client orders.

(COBS 11.2A.25UK(3)(b))

This Order Execution Policy includes, for each financial instrument in which the Firm transmits orders to Brokers for execution, the Brokers that have been identified and selected by the Firm as those that enable it to obtain, on a consistent basis, the best possible result for the execution of client orders. In cases in which the Firm transmits client orders to Brokers, the Firm will either determine the ultimate execution venue and instruct the Broker accordingly, or satisfy itself that the Broker has adopted arrangements that in turn enable the Firm to comply with its Best Execution obligations to its clients.

For exchange-traded products, the Firm will generally execute client orders on the relevant exchange via Direct Market Access ('DMA') provided by a third party participant that is a member of the relevant exchange ('Indirect Execution', as described in section 6, below). Due to the nature of some of the markets in which the Firm effects transactions for its clients, the execution venues chosen by the Firm for execution of orders are often product-driven, and there may only be limited venues for the execution of the products.

When selecting execution venues for Direct Execution, the Firm may take into account the following qualitative factors:

- Order type functionality of the execution venue
- Transparency (e.g. lit/dark) of the execution venue
- Clearing schemes
- Circuit breakers
- Scheduled auctions
- Liquidity analysis
- Toxicity analysis
- Reversion analysis
- Market share
- Breadth of market coverage
- Reputation, financial strength and stability
- Willingness to execute difficult transactions
- Access to liquidity
- Ongoing reliability
- Overall costs of a trade including commissions, mark-ups, markdowns or spreads
- Anonymity of trading activity
- Whether licensed, as required, to execute the type of transaction

(COBS 11.2A.25UK(3)(c))

The Firm may access one or more of the following types of venues when executing an order on behalf of a client:

- Regulated Market ('RM');
- Multilateral Trading Facility ('MTF');
- Organised Trading Facility ('OTF');
- Systematic Internaliser ('SI');
- Market Makers acting as principal;
- Inter-Dealer Brokers;
- other liquidity providers.

In respect of any given order, the Smart Order Router ('SOR') determines the venue on which it is to be executed in order to obtain the best possible result for the client (Best Execution has been programmed into the SOR).

For certain products within an asset class of a financial instrument, there may be only one execution venue, such as in the case of quote-driven trading in an illiquid product in which there is only a single Market-Maker. Thus, and although the Best Execution obligation applies, there may be no alternative against which to compare the terms of the transaction for the purpose of demonstrating best execution. Accordingly, in executing a trade in such cases, the Firm will presume that it has provided the best possible result in respect of such products.

For example, the majority of trading in bonds (both corporate and government) is quote-driven, and takes place Over The Counter. In the first instance (and unless the client directs the Firm elsewhere), the Firm executes client orders relating to bonds via Bridport, a specialist middle-man system in bonds, which, in turn, has access to the universe of market makers in bonds; this approach, in practice, enables the Firm to satisfy its obligation to achieve Best Execution in such cases.

Access to a new execution venue or broker is subject to review, approval and oversight by the Executive Team in accordance with the Monitoring and Review Section.

## 6. Arrangements for execution of client orders

The Firm applies either one of two sets of arrangements to the execution of a client order that it receives, as follows:

(a) **Indirect Execution:** The Firm, as a matched principal to the order, may transmit a client order to a third party, e.g. a broker or an investment bank (each a 'Broker' for these purposes), for that third party to execute on behalf of the Firm. This encompasses situations in which the Firm uses either an execution algorithm or a SOR that has been made available by the Broker to execute the transaction, including where the order is sent to a SOR via a DMA facility.

It is noted that the Firm uses Indirect Execution arrangements via Instinet Europe Limited (a SOR provider) for the majority of the orders that it executes.

(b) **Direct Execution:** Alternatively, the Firm, as a matched principal to the order, may itself execute the relevant transaction with a counterparty, or on an exchange or other trading platform/system (each an 'execution venue'), for a client. The firm may do this, for example, by dealing directly with an execution venue on a 'request for quote' basis, or by accessing an execution venue (such as an exchange or trading platform) directly, either as a direct member of, or participant in, the exchange/trading platform, or by using DMA provided by a Broker to access the exchange or trading platform. However, if the DMA facility sends the order to a SOR before the relevant transaction reaches an execution venue, then the Firm's handling of the order does not entail Direct Execution.

It is noted that the Firm only uses Direct Execution in certain very specific, limited circumstances, and for about 1% of the total number of transactions that it executes, for example, in the case of a Retail Service Provider ('RSP'), for transactions in, exclusively, UK shares, either because the shares in question (for example, AIM-quoted shares), are

not traded on an exchange, or because market-makers are posting more competitive prices via the RSP system than are available on the exchange on which the shares in question are traded.

In the case of both Indirect Execution and Direct Execution, the Firm is obliged to take all sufficient steps to obtain the best possible results to achieve Best Execution for its clients, having regard to the execution factors noted in section 3. above.

#### Choosing Between Indirect and Direct Execution

Once a client order has been received, the relevant trader will decide whether to place the client order with a Broker, for Indirect Execution, or to attempt to execute the transaction themselves, by Direct Execution. This decision will be made having regard to the relative importance of the execution factors for the asset class in question, and whether the SOR has access to the market in question.

For trading in equities, which, typically, are order-driven markets, transactions may be either executed by placing an order with a Broker who is a member of the relevant exchange (ie, Indirect Execution) or, having regard to the execution factors, executed directly, for example, because it might be possible to access a better price, directly, via an RSP than is available, indirectly, via a SOR.

## 7. Specific Instructions

(1) Where a client provides the Firm with specific instructions relating to the execution of an order or a particular aspect of an order, including specifying the characteristics of a bespoke product, the Firm satisfies its Best Execution obligations to take all sufficient steps to obtain the best possible result for the client to the extent that it follows those specific instructions. In respect of the other aspects of the client order(s) that are not covered by the specific instructions, the Firm must satisfy its Best Execution obligations in line with this Order Execution Policy. It is noted that by following specific instructions, the Firm might be prevented from taking the steps for which this Order Execution Policy has otherwise made provision for achieving Best Execution of the order (or part thereof).

(2) Where a client chooses to execute an order via the Firm's DMA capabilities, ie, where the client is itself able to trade using the Firm's DMA facility, the client will select the parameters of the trade (such as: price; counterparty; venue; timing; size; and, nature of interaction with the selected execution venue). In such a case, the Firm, while acting on behalf of the client in providing the DMA service, will be treated as having satisfied its Best Execution obligations by virtue thereof, and the client will be treated as having given specific instructions for the entirety of the order by means of the DMA system.

(3) Where a client privately negotiates a trade with a third party and asks the Firm to register both sides of the trade on a regulated market, the Firm will not owe any Best Execution obligations to the client. Where a client asks the Firm to find a buyer or seller to a block trade, where the client has determined the financial instrument, size and price, the Firm's role is limited to finding a buyer or seller on terms determined by the client and registering the trade on a regulated market.

## 8. Mandatory Trading Obligation and Orders executed outside a Trading Venue

The Firm may only execute client orders in respect of derivatives that are subject to the mandatory Derivative Trading Obligation on a Regulated Market, a Multilateral Trading Facility or an Organised Trading Facility.

Other than in respect of derivatives subject to the mandatory Derivative Trading Obligation, the Firm may execute orders outside a trading venue. When executing client orders outside a trading venue, the Firm will consider the best interests of its clients when selecting counterparties and Brokers, having regard to the type of: (i) client; (ii) service

(whether 'high touch' trading, involving a significant level of input by the trading desk, or 'low touch' trading, entailing limited involvement from the trading desk); and, (iii) instrument to which the order for execution relates.

The Firm will obtain the client's express prior consent before proceeding to execute their order outside a trading venue. Consent may be obtained either in the form of a general agreement or in respect of individual transactions. (COBS 11.2A.24R(2))

Clients may request additional information from the Firm about the consequences of execution of orders outside a trading venue (for example, counterparty risk), either generally or for specific transactions.

## 9. Fees and Commissions

The Firm will charge commissions for the execution services that it provides for clients. In cash equities, fees will take the form of pre-agreed commissions.

The Firm will not structure or charge commissions in such a way as to discriminate unfairly between execution venues. (COBS 11.2A.8UK(3))

In Request For Quote ('RFQ')-driven markets, such as for Fixed Income and Foreign Exchange, the Firm will charge a bid-offer spread between the purchase price and the sale price of a financial instrument.

The Firm's practice is to ensure that spreads charged on transactions to which the Best Execution obligation applies are reasonable, not excessive and within an appropriate range, having regard to the product type, tenor (settlement period; T+2 for corporate bonds and T+1 for government bonds) and size of the trade. Accordingly, commissions and mark-ups may not necessarily be exactly the same for all clients.

Pricing offered to clients reflect an array of factors, including but not limited to:

- the client's relationship with the Firm;
- the client type;
- the product being sold;
- the size of the transaction;
- the current market conditions;
- the client's credit-worthiness;
- the competitive landscape;
- the potential risk to the Firm.

## 10. Monitoring and Review

The Firm monitors the effectiveness of this Order Execution Policy and the order execution arrangements within it, to identify and, where appropriate, correct, any deficiencies. (COBS 11.2A.30G/31R(1))

The Firm assesses, on a regular basis, whether the execution venues and Brokers included in this Order Execution Policy provide for the best possible result for the client, or whether it needs to make any changes to its execution arrangements.

(COBS 11.2A.31R(1))



This monitoring process involves a periodic review by Compliance of transaction execution data to ascertain whether the best possible result was obtained in respect of those transactions.

If Compliance concludes that there is evidence that the best possible result was not achieved, Compliance will also record, where applicable, whether this was because the relevant members of staff failed to follow this Order Execution Policy, for example, by using a Broker or execution venue that is not listed for the relevant Asset Class, or because of a deficiency in this Order Execution Policy itself, for example, the track record of the relevant Broker or execution venue indicates that it should no longer be included in the list within it. Compliance may make changes to this Order Execution Policy depending upon the outcome of the monitoring process.

The Firm will undertake enhanced monitoring where potential conflicts of interest have been identified, which may include focussed surveillance of the trading business conducted and all means of communication between the client(s) in question and the Firm.

The Firm reviews its Order Execution Policy and its order execution arrangements at least annually or whenever a material change occurs that affects the Firm's ability to continue to obtain the best possible result for the execution of its client orders on a consistent basis using the venues included in this Order Execution Policy. (COBS 11.2A.25UK (1))

These reviews are supervised by Compliance, and have been incorporated within the Firm's Compliance Monitoring Programme.

The reviews focus on whether the Firm would obtain better results for clients, were it to:

- include additional or different execution venues or Brokers (for the relevant asset class);
- assign a different relative importance to the execution factors (for the relevant asset class); or
- modify any other aspects of this Order Execution Policy and/or its execution arrangements.

The Firm will also notify clients of any material changes to its order execution arrangements or the Order Execution Policy. (COBS 11.2A.31R(2))

## 11. Client consent, and client requests for information relating to execution

The Firm must obtain the prior consent of its [clients](#) to the execution policy.

(COBS 11.2A.23R)

As the Firm's Order Execution Policy provides for the possibility that [client](#) orders may be executed outside a [trading venue](#), the Firm must inform its [clients](#) about that possibility, and, as noted in section 8. above, obtain the express prior consent of its [clients](#) before proceeding to execute their orders outside a [trading venue](#), which consent may be obtained either in the form of a general agreement or in respect of individual transactions.

(COBS 11.2A.24R)

By accepting the Firm's client agreement, a client consents to the terms of the Order Execution Policy and provides their express consent to the execution of orders by the Firm outside either a Regulated Market or a Multilateral Trading Facility.

At the request of a client, the Firm will provide a written explanation of how it has executed their orders in accordance with this Order Execution Policy, and deal with such requests in a timely manner. (COBS 11.2A.32R(1))

## 12. Escalation and Publication

### Escalation

Questions about this Policy should be directed to the Compliance team [compliance@TSC.group](mailto:compliance@TSC.group)

### Publication

This Policy is:

- published on the Firm's website at <https://www.TSC.group/order-execution>;
- available to clients upon request; and
- provided to competent regulators as may be required.

## Appendix 1 - Policies by Asset Class

### Equities

The trading desk receives and executes orders on global markets either via DMA provided by third party brokers, or by direct electronic access to executing brokers who are believed to have expertise and the necessary understanding of the Firm's objectives and its Best Execution obligations.

The Firm can act in an agency capacity or a matched principal capacity (riskless principal). The decision as to the appropriate venue on which to execute any order will depend on: the capacity in which the Firm will act; the size of the order; the percentage of average daily volume that the trade represents; the available liquidity in the stock at the time; and, any other factor deemed relevant by the Firm's brokers.

The Firm will act on a matched principal basis in respect of trades in exchange traded funds, which will result in the execution of a buy or sell order on a regulated market. Markets will be accessed through third party brokerage firms (Indirect Execution).

If an executing broker is used, they will be selected on the basis of their: pricing; liquidity capability; clearance and settlement capabilities; quality of service; access to markets; creditworthiness; and, financial stability, in accordance with the Firm's pre-selection process.

### Fixed Income

Transactions are generally, but not exclusively, executed Over The Counter (bilaterally arranged trades) with counterparties that have been approved as such by the Risk and Compliance Departments.

The Firm's trading desk takes into account a range of factors in deciding where and how to execute an order to obtain the best possible result for a client. Consistent liquidity and price are normally the most important factors in this decision.

In the first instance, the Firm approaches Bridport, a Fixed Income Market Maker middle-man system with access to the universe of Fixed Income Market Makers, unless directed by the client to another source of liquidity.

### Foreign Exchange

FX spot transactions are not a MiFID II instrument and as such are out of scope of Best Execution, while FX derivative transactions are in scope of Best Execution obligations.

A majority proportion of the FX transactions in which the Firm executes orders for clients relate to spot FX, and Best Execution does not apply. The balance of the FX transactions in which the Firm executes orders for clients relate to FX derivatives, which the Firm executes, exclusively, through BNYM.

## Appendix 2 - Execution Venues and Brokers by Asset Class (COBS 11.2A.21R)

Asset Class	Execution Venue/Broker
Equities	<p>DMA provider: Instinet Europe Limited - via Smart Order Router ('SOR')(no manual intervention by the Trading Desk required)</p> <p>BTIG and Winterflood (both as back-up to Instinet Europe Limited), via FIXLINE (an electronic messaging system, which involves intervention by the Trading Desk to route orders); DMA is not provided via either BTIG or Winterflood</p> <p>Market Makers, Systematic Internalisers and Organised Trading Facilities (which do not entail electronic routing of orders): Winterflood (also via FIXLINE);</p> <p>Peel Hunt;</p> <p>ICAP;</p> <p>Stifel;</p> <p>Cantor;</p> <p>Shore Capital</p>
Fixed Income	<p>Bridport (Market Maker middle-man; has access to the universe of Market Makers)</p> <p>Market Makers, Systematic Internalisers and Organised Trading Facilities (where directed by the client as the source of liquidity):</p> <p>Nomura;</p> <p>Commerz;</p> <p>IMI;</p> <p>BNYM;</p> <p>UBS;</p> <p>Jefferies;</p> <p>Stifel;</p> <p>BGC;</p> <p>Tullet;</p> <p>Nykredit;</p> <p>Mediobanca;</p> <p>Lloyds;</p> <p>Cantor</p> <p>Multilateral Trading Facilities:</p> <p>Bloomberg MTF;</p> <p>Marketaxess</p>

Foreign Exchange	BNYM
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## Appendix 3 - Regulatory requirements (addressed by the Policy)

### **Best execution - MiFID provisions (COBS 11.2A)**

#### **Obligation to execute orders on terms most favourable to the client ('best execution')**

(1) A [firm](#) must take all sufficient steps to obtain, when executing orders, the best possible results for its [clients](#) taking into account the [execution factors](#). (COBS 11.2A.2R(1))

(2) The [execution factors](#) to be taken into account are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order. (COBS 11.2A.2R(2))

#### **Application of best execution obligation**

The obligation to take all sufficient steps to obtain the best possible result for its [clients](#) should apply where a [firm](#) owes contractual or agency obligations to the [client](#).

(COBS 11.2A.3G)

(i) The obligation to deliver the best possible result when executing [client](#) orders applies in relation to all types of [financial instruments](#). However, given the differences in market structures and the structure of financial instruments, it may be difficult to identify and apply a uniform standard of, and procedure for, best execution that would be valid and effective for all classes of instrument.

(ii) Best execution obligations should therefore be applied to take into account the different circumstances surrounding the execution of orders for particular types of [financial instruments](#). For example, transactions involving a customised Over The Counter ('[OTC](#)') [financial instrument](#) with a unique contractual relationship tailored to the circumstances of the [client](#) and the [firm](#) may not be comparable for best execution purposes with transactions involving [shares](#) traded on centralised [execution venues](#).

(iii) As best execution obligations apply to all [financial instruments](#), irrespective of whether they are traded on [trading venues](#) or [OTC](#), a [firm](#) should gather relevant market data in order to check whether the [OTC](#) price offered for a [client](#) is fair and delivers on the best execution obligation.

(COBS 11.2A.7G)

#### **Best execution criteria (COBS 11.2A.8UK)**

(1) When executing client orders, a firm must take into account the following criteria for determining the relative importance of the **execution factors** referred to in (2) above:

- (a) the characteristics of the client including the categorisation of the client as retail or professional;
- (b) the characteristics of the client order, including where the order involves a securities financing transaction (SFT; that is, an instance of stock lending or stock borrowing or the lending or borrowing of other [financial instruments](#), a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction);
- (c) the characteristics of financial instruments that are the subject of that order;
- (d) the characteristics of the execution venues to which that order can be directed.

For these purposes, 'execution venue' includes a regulated market, an Multilateral Trading Facility, an Organised Trading Facility, a systematic internaliser, or a market maker or other liquidity provider.

(2) A firm satisfies its obligations to take all sufficient steps to obtain the best possible result for a client to the extent that it executes an order or a specific aspect of an order following specific instructions from the client relating to the order or the specific aspect of the order.

(3) A firm must not structure or charge its commission in such a way as to discriminate unfairly between execution venues.

(4) When executing orders or taking decision to deal in OTC products including bespoke products, a firm must check the fairness of the price proposed to the client, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

### **The role of price in Best Execution**

Where a [firm](#) executes an order on behalf of a [retail client](#), the best possible result must be determined in terms of the total consideration, representing the price of the [financial instrument](#) and the costs related to execution, which must include all expenses incurred by the [client](#) which are directly related to the execution of the order, including [execution venue](#) fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

(COBS 11.2A.9R)

When a [firm](#) executes a [retail client's](#) order in the absence of specific [client](#) instructions, for the purposes of ensuring that the [firm](#) obtains the best possible result for the [client](#), the [firm](#) should take into consideration all factors that will enable it to deliver the best possible result in terms of the total consideration, representing the price of the [financial instrument](#) and the costs related to execution.

(COBS 11.2A.10G)

Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the [retail client](#).

(COBS 11.2A.11G)

### **Following specific instructions from a client**

Whenever there is a specific instruction from the client, a [firm](#) must execute the order following the specific instruction.

(COBS 11.2A.12R)

When a [firm executes](#) an order following specific instructions from the [client](#), it should be treated as having satisfied its best execution obligations only in respect of the part or aspect of the order to which the [client](#) instructions relate. The fact that the client has given specific instructions which cover one part or aspect of the order should not be treated as releasing the [firm](#) from its best execution obligations in respect of any other parts or aspects of the [client](#) order that are not covered by such instructions.

(COBS 11.2A.13G)

A [firm](#) should not induce a [client](#) to instruct it to execute an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction to the [client](#), when the [firm](#) ought reasonably to know that an instruction to that effect is likely to prevent it from obtaining the best possible result for that [client](#). However, this should not prevent a [firm](#) inviting a [client](#) to choose between two or more specified [trading venues](#), provided that those venues are consistent with the execution policy of the [firm](#).

(COBS 11.2A.14G)

### **Delivering best execution where there are competing execution venues**

A [firm's](#) own commissions and the costs for executing an order in each of the eligible [execution venues](#) must be taken into account when assessing and comparing the results that would be achieved for a [client](#) by executing the order on each of the [execution venues](#) listed in the [firm's](#) execution policy that is capable of executing that order.

(COBS 11.2A.15R)

[The obligation to deliver best execution for a [retail client](#) where there are competing [execution venues](#) is not intended to require a [firm](#) to compare the results that would be achieved for its [client](#) on the basis of its own execution policy and its own commissions and fees, with results that might be achieved for the same [client](#) by any other [firm](#) on the basis of a different execution policy or a different structure of commissions or fees. Nor is it intended to require a [firm](#) to compare the differences in its own commissions which are attributable to differences in the nature of the services that the [firm](#) provides to [clients](#).

(COBS 11.2A.16G)]

A [firm](#) would be considered to structure or charge its commissions in a way which discriminates unfairly between [execution venues](#) if it charged a different commission or spread to [clients](#) for execution on different execution venues and that difference did not reflect actual differences in the cost to the [firm](#) of executing on those venues.

(COBS 11.2A.17G)

The provisions of this section which provide that costs of execution include a [firm's](#) own commission or fees charged to the [client](#) for the provision of an investment service should not apply for the purpose of determining what [execution venues](#) must be included in the [firm's](#) execution policy in accordance with [COBS 11.2A.21R](#).

(COBS 11.2A.18G)

A [firm](#) must 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 either conflicts of interests or inducements.

(COBS 11.2A.19R)

### **Requirement for order execution arrangements including an order execution policy**

A [firm](#) must establish and implement effective arrangements for complying with the obligation to take all sufficient steps to obtain the best possible results for its [clients](#). In particular, the [firm](#) must establish and implement an order execution policy to allow it to obtain, in accordance with COBS 11.2A.2R, the best possible result for the execution of [client](#) orders.

(COBS 11.2A.20R)

The order execution policy must include, in respect of each class of [financial instruments](#), information on the different [execution venues](#) where the [firm](#) executes its [client](#) orders and the factors affecting the choice of [execution venue](#). It must at least include those [execution venues](#) that enable the [firm](#) to obtain on a consistent basis the best possible result for the execution of [client](#) orders.

(COBS 11.2A.21R)

- (1) A [firm](#) must provide appropriate information to its [clients](#) on its order execution policy.
- (2) That information must explain clearly how orders will be executed by the [firm](#) for the [clients](#).
- (3) The information must include sufficient details and be provided in a way that can be easily understood by [clients](#).

(COBS 11.2A.22R)

- (1) A [firm](#) must obtain the prior consent of its [clients](#) to the execution policy.



(COBS 11.2A.23R)

- (1) Where a [firm's](#) order execution policy provides for the possibility that [client](#) orders may be executed outside a [trading venue](#), a [firm](#) must, in particular, inform its [clients](#) about that possibility.
- (2) A [firm](#) must obtain the express prior consent of its [clients](#) before proceeding to execute their orders outside a [trading venue](#).
- (3) A [firm](#) may obtain such consent either in the form of a general agreement or in respect of individual transactions.

(COBS 11.2A.24R)

### **Execution policies** (COBS 11.2A.25UK)

(1) A firm must review, at least on an annual basis, its execution policy, as well as its order execution arrangements. Such a review must also be carried out whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for the execution of its client orders on a consistent basis using the venues included in its execution policy. An investment firm must assess whether a material change has occurred and shall consider making changes to the relative importance of the best execution factors in meeting the overarching best execution requirement.

(2) The information on the execution policy shall be customised depending on the class of financial instrument and type of the service provided and shall include information set out in paragraphs (3) to (9), below.

(3) Investment firms shall provide clients with the following details on their execution policy in good time prior to the provision of the service:

(a) an account of the relative importance the investment firm assigns to the **execution factors**, or the process by which the firm determines the relative importance of those factors.

(b) a list of the execution venues on which the firm places significant reliance in meeting its obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of client orders and specifying which execution venues are used for each class of financial instruments, for retail client orders, professional client orders and SFTs;

(c) a list of factors used to select an execution venue, including qualitative factors such as clearing schemes, circuit breakers, scheduled actions, or any other relevant consideration, and the relative importance of each factor; The information about the factors used to select an execution venue for execution shall be consistent with the controls used by the firm to demonstrate to clients that best execution has been achieved on a consistent basis when reviewing the adequacy of its policy and arrangements;

(d) how the execution factors of price costs, speed, likelihood of execution and any other relevant factors are considered as part of all sufficient steps to obtain the best possible result for the client;

(e) where applicable, information that the firm executes orders outside a trading venue, the consequences, for example counterparty risk arising from execution outside a trading venue, and upon client request, additional information about the consequences of this means of execution;

(f) a clear and prominent warning that any specific instruction from a client may prevent the firm from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions;

(g) a summary of the selection process for execution venues, execution strategies employed, the procedures and process used to analyse the quality of execution obtained and how the firms monitor and verify that the best possible results were obtained for clients. That information shall be provided in a durable medium, or by means of a website (where that does not constitute a durable medium).

(4) Where investment firms apply different fees depending on the execution venue, the firm shall explain these differences in sufficient detail in order to allow the client to understand the advantages and the disadvantages of the choice of a single execution venue.

(5) Where investment firms invite clients to choose an execution venue, fair, clear and not misleading information shall be provided to prevent the client from choosing one execution venue rather than another on the sole basis of the price policy applied by the firm.

(6) Investment firms shall only receive third-party payments that comply with the rules on inducements, and shall inform clients about the inducements that the firm may receive from the execution venues. The information shall specify the fees charged by the investment firm to all counterparties involved in the transaction, and where the fees vary depending on the client, the information shall indicate the maximum fees or range of the fees that may be payable.

(7) Where an investment firm charges more than one participant in a transaction, in compliance with the rules on inducements, the firm shall inform its client of the value of any monetary or non-monetary benefits received by the firm.

(8) Where a client makes reasonable and proportionate requests for information about its policies or arrangements and how they are reviewed to an investment firm, that investment firm shall answer clearly and within a reasonable time.

(9) Where an investment firm executes orders for retail clients, it shall provide those clients with a summary of the relevant policy, focused on the total cost they incur.

(1) When establishing its execution policy, a [firm](#) should determine the relative importance of the execution factors, or at least establish the process by which it determines the relative importance of these factors, so that it can deliver the best possible result to its [clients](#).

(2) Ordinarily, the [FCA](#) would expect that price will merit a high relative importance in obtaining the best possible result for [professional clients](#). However, in some circumstances for some [clients](#), orders, [financial instruments](#) or markets, the policy may appropriately determine that other [execution factors](#) are more important than price in obtaining the best possible execution result.

(COBS 11.2A.26G)

A [firm](#) should apply its execution policy to each [client](#) order that it executes with a view to obtaining the best possible result for the [client](#) in accordance with that policy.

(COBS 11.2A.27G)

The obligation to take all sufficient steps to obtain the best possible result for the [client](#) should not be treated as requiring a firm to include in its execution policy all available [execution venues](#).

(COBS 11.2A.28G)

An [investment firm](#) executing orders should be able to include a single [execution venue](#) in their policy only where they are able to show that this allows them to obtain best execution for their [clients](#) on a consistent basis. [Investment firms](#) should select a single [execution venue](#) only where they can reasonably expect that the selected [execution venue](#) will enable them to obtain results for [clients](#) that are at least as good as the results that they could reasonably

expect from using alternative [execution venues](#). This reasonable expectation must be supported by relevant data or by other internal analyses conducted by [investment firms](#).

(COBS 11.2A.29G)

The provisions of this section as to execution policy are without prejudice to the general obligation of a [firm](#) to monitor the effectiveness of its order execution arrangements and policy and assess the [execution venues](#) in its execution policy on a regular basis.

(COBS 11.2A.30G)

(1) A [firm](#) must monitor the effectiveness of its order execution arrangements and execution policy to identify and, where appropriate, correct any deficiencies. In particular it must assess, on a regular basis, whether the [execution venues](#) included in the order execution policy provide for the best possible result for the [client](#) or whether it needs to make changes to its execution arrangements taking into account relevant data or other internal analyses conducted by [investment firms](#).

(2) The [firm](#) must notify [clients](#) of any material changes to its order execution arrangements or execution policy.

(COBS 11.2A.31R)

(1) A [firm](#) must be able to demonstrate to its [clients](#), at their request, that it has executed their orders in accordance with its execution policy.

(2) A [firm](#) must be able to demonstrate to the [FCA](#), at the request of that authority, its compliance with [COBS 11.2A.2R](#) and with the related provisions in this chapter which require [firms](#) to execute orders on terms most favourable to the [client](#).

(COBS 11.2A.32R)

In order to obtain the best execution for a client, a [firm](#) should compare and analyse relevant data.

(COBS 11.2A.33G)

### **Providing information to clients on order execution**

Following the execution of a transaction on behalf of a [client](#) a [firm](#) must inform the [client](#) of where the order was executed.

(COBS 11.2A.37R)

## **Client Order Handling (COBS 11.3)**

### **General principles**

(1) A [firm](#) which is authorised to execute orders on behalf of [clients](#) must implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other orders or the trading interests of the firm.

(2) These procedures or arrangements must allow for the execution of otherwise comparable orders in accordance with the time of their reception by the [firm](#).

(COBS 11.3.1R)

### **Carrying Out Client Orders**

When carrying out client orders, a firm must:

(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, or the interests or instructions of the client require otherwise;

(c) inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

(COBS 11.3.2AUK)

Orders should not be treated as otherwise comparable if they are received by different media and it would not be practicable for them to be treated sequentially.

(COBS 11.3.3G)

### **Settlement of executed orders**

Where a firm is responsible for overseeing or arranging the settlement of an executed order, it must take all reasonable steps to ensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

(COBS 11.3.4AUK)

### **Use of information relating to pending client orders**

A firm must not misuse information relating to pending client orders, and must take all reasonable steps to prevent the misuse of such information by any of its staff.

(COBS 11.3.5AUK)

### **Aggregation and allocation of orders**

The Firm must not carry out a client order in aggregation with another client order unless:

(a) it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose orders is to be aggregated;

(b) it is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;

(c) it has established and effectively implemented an **order allocation policy**, providing for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

(COBS 11.3.7AUK)

### **Partial execution of aggregated client orders**

Where the Firm aggregates an order with one or more other client orders and the aggregated order is partially executed, it must allocate the related trades in accordance with its order allocation policy.

(COBS 11.3.8AUK)

The reallocation of transactions should be considered as detrimental to a [client](#) if, as an effect of that reallocation, unfair precedence is given to any particular person.

(COBS 11.3.12G)

In this section, carrying out [client](#) orders includes:

(1) the [execution of orders on behalf of clients](#);

(2) the placing of orders with other entities for execution that result from decisions to deal in [financial instruments](#) on behalf of [clients](#) when providing the service of [portfolio management](#) or [collective portfolio management](#);

(3) the transmission of [client](#) orders to other entities for execution when providing the service of reception and transmission of orders.

(COBS 11.3.13G)