



# Order Execution Policy



# ORDER EXECUTION POLICY

## Introduction

We are required by the FCA to establish and implement an Order Execution Policy and to provide to our customers appropriate information regarding how we take all sufficient steps to obtain the best possible outcome on the execution of your orders.

We execute orders on behalf of our clients as part of the platform services we provide. Client orders are received from our FCA regulated clients who are typically Independent Financial Advisors (IFAs) and Discretionary Fund Managers (DFMs).

This policy applies to all orders received from, and executed on behalf of, our clients. It must be read in conjunction with our terms and conditions and our conflict of interest policy.

## Clients' Consent

We are required to obtain your prior consent to our Order Execution Policy. We will deem you to have given consent where you have had access to review this policy via our website or have previously been provided with a copy.

## Scope

We have in place policies and procedures which are designed to allow us to meet our regulatory obligation in obtaining the best possible results for our clients.

This is subject to, and takes into account, the nature of clients' orders, the priorities clients place upon us in filling those orders, and the market in question which provides, in its view, the best balance across a range of sometimes conflicting factors.

When executing or routing an order on your behalf, we will take into account the following criteria to help us determine the relative importance of the execution factors:

- your characteristics as a client; including your client categorisation (e.g. retail or professional);
- the characteristics of your order, and the security that is the subject of that order; and
- the execution venues to which your order can be directed

Our commitment to provide you with 'best execution' does not mean that we owe you any fiduciary responsibilities over and above the specific regulatory obligations placed upon us, or as may be otherwise contracted between us.

## Execution Factors

To determine how to achieve the best possible result when dealing your order, while taking all sufficient steps, we take into account a combination of execution factors:

- **Price** – we always endeavour to achieve the best price when executing client orders
- **Costs of the transaction** – in assessing which venue on which to execute an order we will take into account any charges that may be passed on to you. In ensuring that the total consideration of the order leads to the best overall outcome, the deal may be executed at a worse price than the best available.

It is our policy that our commission and charging structure will not influence either the selection of execution venues or the order flow that follows as a result of the execution process. We will therefore not discriminate between the execution venues we use to execute your orders.

- **Speed of execution** – for liquid securities price volatility may mean that the timeliness of execution is considered a higher priority, as any delays in execution may be detrimental to the price attained.
- **Likelihood of execution and/or settlement** – for securities that have low liquidity, and in the absence of multiple execution venues offering competing prices, the fact of execution may itself constitute best execution. We execute the majority of client orders 'on exchange' which in turn helps to reduce settlement risk due to the variety of settlement rules of the exchange.
- **Size, nature and complexity of the order** – the price displayed by execution venues is for a particular size; orders that are, for example, considered large in size relative to this normal market size, or are for less liquid securities, may result in a price being attained that differs to the price initially displayed.
- **Any other considerations** – it may be necessary to take into account several other factors such as the quality and efficiency of the settlement process post execution, financial status, responsibility and solvency of the counterparty, and the market impact of the transaction.

## Prioritisation of Execution Factors

We prioritise price as the primary criterion to obtain the best possible result for our clients. Active consideration is also given to other factors, such as transaction costs, timing and liquidity, particularly for non-UK equities, large transactions or trades in illiquid securities.



We will determine the relative importance of these execution factors by using our industry experience, expertise and judgement in light of available market information, with the prime aim of prompt, fair and expeditious execution of trades. This approach applies to all types of financial instrument dealt.

### **Best Possible Result**

Achieving the best possible result means obtaining the best overall price. For purchases, this is the price at which your order is executed plus any transaction costs passed on to you, and for sales this equates to the execution price minus any transaction costs, across the execution venues used to orders.

The overarching requirement to take all sufficient steps to achieve 'best execution' does not mean that we must obtain the best possible results for our clients on every single occasion. Rather, we need to verify that, on a consistent and ongoing basis, our execution arrangements work well throughout the various stages of the order execution process. Where deficiencies are identified, appropriate remedial action will be taken to promptly rectify them.

### **Handling Client Specific Instructions**

We will transact orders or transmit orders for execution in accordance with express instructions from clients' advisers or discretionary managers, and it is not standard practice for us to accept specific instructions from clients.

It is important that you are aware that if you provide us with a specific instruction this may prevent us from taking the steps which have been designed and implemented in this Policy to help obtain the best possible outcome for your orders. Giving us specific instructions may therefore adversely impact the execution outcome you receive.

In following your instructions, we will be deemed to have taken all sufficient steps to provide the best possible outcome in respect of the order, or the element relating to the aspect covered by the specific instruction. We will follow our best execution obligations in respect of any parts or aspects of the client order that are not covered by such instructions.

### **Limit Orders / Types of Orders**

Hubwise do not accept stop loss instructions or limit orders.

### **Executing Clients' Orders**

In executing clients' orders, we:

- will not trade as 'Principal';
- will always trade as 'Agent';
- may deal on a net basis with due consideration given to the overall outcome; and
- will apply a range of criteria when determining which counterparties we deal with, including the overall level of service delivered.

### **Approved Financial Instruments**

The following financial instruments are available for execution in relation to all client orders:

- Equities;
- Exchange Traded Products (ETFs/ETNs);
- Investment Trusts;
- Debt Instruments (Government Bonds / Corporate Bonds);
- Structured Products; and
- Collective Investment Undertakings (e.g. OEICs, Unit Trusts; UK domiciled and offshore).

### **Equities, Investment Trusts and Exchange Traded Products (ETF's and ETN's)**

Our electronic order management system is connected to a range of internally approved Retail Service Providers (RSPs). Requesting a quote simultaneously retrieves quotes from these providers and returns the best available price based on the number or value of shares requested.

All UK trades will be routed electronically via the RSP, subject to limits both in monetary value and normal market size (NMS) relative to their market listing. These limits are in place to ensure the order is appropriate for an RSP and to ensure minimum market impact.

RSPs can alter the quantities in which they are prepared to deal in without notice, and quotes can be cancelled at any time therefore it may not always be possible to obtain a quote using this method.

If the security is not available via the RSP network, we will send the order via the Direct Market Access (DMA) route, to an appropriate order book of an exchange.

For orders in overseas securities, wherever possible we will use a UK based entity which quotes and executes securities in Sterling (GBP) as speed of execution may be more advantageous than price. Where, however, a better overall result would ensue under the rules of best execution we will use an approved and regulated foreign entity for the execution of orders.

### **Manual Execution**

Should the order size and/or value be outside of certain pre-set limits or the price returned from the RSP be outside of the current best bid/ask spread then the order will not be executed and moves to an exceptions queue for the level of liquidity and average daily volume (ADV) to be determined.

Where it is not possible to deal on-line, we will execute the order by telephone, which may result in a delay in completing the order. We will liaise with our range of counterparties to obtain the best possible result, taking into consideration all execution factors.



## Government and Corporate Bonds

Client orders relating to debt instruments are passed across to Optiva Securities (“Optiva”) for execution. Optiva has the ability to execute orders in a range of fixed income securities in various currencies and investment grades. Orders will be executed based on the best price available and in line with the obligation to take all sufficient steps to obtain the best possible result for you.

## Structured Products

Due to the nature of this type of financial instrument, structured product trading takes place directly with the issuers’ appointed dealer.

## Collective Investment Undertakings (including OEICS and Unit Trusts – domiciled in the UK and Offshore)

Whilst transactions in Collective Investment Undertakings are considered in-scope for best execution, there is only a single price available for such financial instruments. The price of the fund is based on the value of the underlying assets and calculated at a set cut-off point each day.

Orders will be dealt directly with the fund manager, their designated transfer agent, or with Allfunds Bank.

## Execution Venues

We have access to a range of execution venues either directly, or via approved counterparties, in order to facilitate best execution.

In taking all sufficient steps to obtain, on a consistent basis, the best possible result for you, we will execute your orders on an agency basis using one, or a combination of, the following:

- Regulated Markets;
- Multilateral Trading Facilities (MTF);
- Organised Trading Facilities (OTF);
- Systematic Internalisers (SI);
- Other liquidity providers including market-makers, retail service providers (RSPs) or any other EEA approved liquidity provider; and
- Any other relevant execution venue.

## Current Execution Venues

The below outlines the execution venues on which we place significant reliance. Other counterparties may be used as deemed appropriate.

Execution Venues (via DMA service provider or direct Hubwise membership):

- Bank of America Merrill Lynch Broker Crossing Network (MLXN)
- BATS Europe (BATE)
- BATS Europe Dark Order Books (BATD)
- Bolsa De Madrid (XMAD)
- Borsa Italiana S.P.A. (XMIL)
- CHI-X Dark (CHID)
- CHI-X Europe (CHIX)
- Credit Suisse AES Crossfinder (CAES)
- Deutsche Börse Xetra (XETR)
- Euronext Amsterdam (XAMS)
- Euronext Paris (XPAR)
- JMPX (JPMX)
- London Stock Exchange (XLON) (1)
- MS Pool ATS (MSPL)
- Posit (XPOS)
- SIX Swiss Exchange (XSWX)
- Turquoise Dark (TRQM)
- Turquoise Services (TRQX)
- UBS MTF (XUBS)

Counterparties utilised on the LSE via the RSP Network:

- Shore Capital Stockbrokers Limited
- Winterflood Securities Limited
- Cantor Fitzgerald Europe
- RBC Europe Limited
- Numis Securities Limited
- Peel Hunt LLP
- Stifel Nicolaus Europe Limited
- Nplus1 Singer Capital Markets Limited
- Virtu

In addition to the above, Hubwise have recently added Winterflood Business Services as a DMA provider, and Calastone for the trading and settlement of funds.

We also engage with Optiva Securities Limited, as both counterparty and as DMA. Other venues include Canaccord Genuity Limited, Investec Bank Plc and Susquehanna International Securities Limited.

Counterparties are reviewed on an at least annual basis by the Compliance Department to determine whether existing venues continue to provide for the best possible result for you. This helps ensure we have sufficient relationships and coverage



across all asset classes to provide best execution and could lead to the addition of further counterparties. Conversely, action could be taken which results in the suspension of an execution venue by us.

In carrying out this assessment, use will be made of our internal monitoring as well as applicable execution quality data reported by our execution venues.

## Order Management and Handling

In fulfilling our regulatory obligations, we ensure that your order is:

- handled in a way which provides for prompt, fair and expeditious execution;
- accurately recorded and allocated; and
- executed sequentially, unless the characteristics of the order or prevailing market conditions make this impractical, or your interests require otherwise.

You will be promptly notified about any material difficulties in being able to carry out a trade instruction.

Once we receive your order, we will execute it as soon as reasonably possible, unless we believe that postponing your order is in your best interests.

## Aggregation and Allocation

It may be necessary to aggregate the orders of different clients as part of our order handling obligations. In such instances, this will occur in line with our regulatory obligations.

We will only aggregate client orders where we believe it will be unlikely that the aggregation of those orders will lead to the overall disadvantage of any client whose order is to be aggregated.

While every effort will be taken to achieve the best outcome for all clients, there is the risk that the aggregation may work to the disadvantage of individual clients in relation to a particular order.

We take the view that by aggregating orders, clients may be able to benefit from better prices achieved through larger, bulk transactions, although may not necessarily do so. We therefore actively encourage the bulking of orders to bring this benefit to clients, in line with our obligation to treat customers fairly.

We do not perform transactions for our own account and therefore Firm orders will never be aggregated with client orders.

There may be some instances, such as with certain illiquid securities, where aggregating orders would not benefit clients. In this instance we retain the discretion to execute these on an individual basis.

We will not aggregate a client order with the orders of our other clients if we are expressly instructed, orally or in writing, not to do so.

Comparable orders are, in general, generated simultaneously and executed in bloc. These are then allocated to clients fairly and proportionately, in line with our fair allocation procedures; our policy is to allocate on a pro-rata basis. Relevant records are maintained as required by the rules.

We maintain an order aggregation and allocation policy within our operating procedures.

## Cross Trades

In the event that you wish to execute opposing (i.e. buy/sell) transactions in the same security our standard policy will be to execute these transactions in the market at the minimum possible cost and with the constant principle that the price achieved will be as fair as possible to each participant in the transaction.

This ensures that the transactions are executed at arm's length and with appropriate price discovery and transparency.

## Monitoring and Review of Our Execution Policy

Monitoring of client deals is undertaken on a regular basis to ensure that best execution is being achieved on a consistent and ongoing basis.

Additionally, this policy is reviewed annually or where there is a material change to our arrangements or regulation. Any changes to the policy as the result of a material change will be notified to our clients, and the most recent version of our Order Execution Policy will be available from our website: [www.hubwise.co.uk](http://www.hubwise.co.uk).

## RTS 28 Reporting – Top 5 Venues

On a yearly basis, and by no later than 30<sup>th</sup> April, we will publish our RTS 28 Report on our website. This report contains information pertaining to our top 5 venues and counterparties, broken down by financial instrument, in line with the regulatory requirements.



## Glossary

**Average Daily Volume (ADV):** The ADV is the amount an individual security is traded in a day on average over a specified period of time. Trading activity relates to the liquidity of a security when average daily trading volume is high, the stock can be easily traded and has high liquidity.

**Bid/Offer Spread:** A bid/offer spread, which may also be referred to as the bid/ask spread, is the amount by which the purchase (offer) price exceeds the bid (sale or ask) price for an asset in the market. The bid/offer spread is essentially the difference between the highest price that a buyer is willing to pay for an asset and the lowest price that a seller is willing to accept to sell it.

**Client:** A user of the Hubwise platform, subject to the existing Hubwise Terms and Conditions, forming a contractual agreement between Hubwise and the user. This may be an individual or corporate entity.

**Client Order:** A transaction buying or selling one or more financial instruments on behalf of, or at the request of a client.

**Direct Market Access (DMA):** Electronic trading facilities that provide a way to interact with the order book of an exchange, such as that of the London Stock Exchange.

**FCA:** Financial Conduct Authority

**Liquidity:** The measure of how easy it is to trade in securities. For example, a security which trades a couple of times a week would be described as having low liquidity.

**Market-Maker:** Another regulated firm which is obliged to continually make two-way prices for the securities in which they are registered to make markets.

**Multilateral Trading Facility (MTF):** A system operated by an investment firm or market operator which brings together multiple third-party buyers and sellers in financial instruments and which is subject to a strict set of rules. Such instruments may include shares, bonds and derivatives.

**Normal Market Size (NMS):** The maximum number of shares in a listed company that can be traded in a single transaction at the price quoted by the market-maker. The normal market size is normally set at 2.5% of the total volume of shares for a given company. This stops very large trades from affecting the share price as market-makers are not obliged to provide quotes for transactions which fall outside of the normal market size.

**Order:** means an instruction to buy or sell a financial instrument which is accepted by Hubwise for execution or transmission to a third party and which gives rise to contractual or agency obligations to clients.

**Organised Trading Facility (OTF):** A facility or system designed to bring together third parties buying and selling interests or orders related to financial instruments and which is not a regulated market or an MTF.

**Over the Counter (OTC):** The OTC is a market where financial instruments are traded directly between two parties as opposed to being traded on an exchange.

**Regulated Market or Regulated Investment Exchange (RIE):** is a multilateral facility operated by a market operator in the EEA, such as the London Stock Exchange, that brings together multiple third parties buying and selling interests in financial instruments where the instruments traded are admitted to the market, according to its rules and systems.

**Systematic Internaliser (SI):** Investment firm which, on an organised, frequent, systematic and substantial basis, deals on its own account by executing client orders outside a regulated market, MTF or OTF without operating a multilateral system.

**Total Consideration:** This is determined by the price of the security and the costs related to execution, including all expenses incurred that are directly related. Examples include venue charges, clearing and settlement charges, and charges paid to third parties.