



**Numis Securities Limited**  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT  
+44 (0)20 7260 1000  
[www.numis.com](http://www.numis.com)

## **ORDER EXECUTION POLICY**

## CONTENTS

## PAGE

1.	INTRODUCTION .....	3
2.	SCOPE.....	3
3.	APPLICATION TO CLIENTS .....	3
4.	EXECUTION FACTORS & EXECUTION CRITERIA .....	5
5.	EXECUTION VENUES .....	8
6.	AGGREGATION AND ALLOCATION.....	9
7.	RECEIVING AND TRANSMITTING ORDERS .....	10
8.	MONITORING.....	10
9.	REPORTING.....	10

## Numis Securities Limited

### ORDER EXECUTION POLICY

3 January 2018

#### 1. INTRODUCTION

- 1.1 Numis Securities Limited ("**Numis**") is required to establish and implement an order execution policy. This document sets out Numis' execution policy. It is made available to all professional and retail clients (normally both as an attachment to the relevant client agreement and via our web-site [here](#)) to ensure that such clients have appropriate information on the policy and to enable Numis to obtain any requisite consent from clients. This policy should be read in conjunction with the relevant client agreement, and as detailed in the client agreement, clients are deemed to have consented to their orders being handled in accordance with the terms set out in this policy.
- 1.2 This order execution policy is owned by the Heads of Trading for Equity and Investment Trusts. Numis reviews its order execution arrangements and this policy annually, save that it may be reviewed or amended more frequently. We will inform you of any material changes to our order execution arrangements or policy.

#### 2. SCOPE

- 2.1 The products that are within scope of the best execution rules are "financial instruments" as defined by the Markets in Financial Instruments Directive 2014/65/EC ("**MiFID II**"). This includes securities such as shares, bonds, units in funds and structured products, as well as financial contracts such as derivatives, whether publicly listed or not.
- 2.2 In particular, Numis has a duty, when executing orders on behalf of a client (or to put another way, where the client is legitimately relying on Numis to protect their interests) to take all sufficient steps to obtain the best possible result for its clients.
- 2.3 Numis regularly transmit client orders to another broker for execution, including in circumstances where we:
- (a) use a third party algorithm to execute large trades; and
  - (b) use a third party broker to execute a non-UK or third country equity instrument,
- we will have best execution obligations in respect of the algorithm and/or broker selection. The algorithm provider and third party broker will also be under a duty of best execution, if they are an investment firm in the EEA (as defined by MiFID II). Further information on Numis' broker selection will be contained in its RTS 28 reports (see section 8, "**Monitoring**" below).
- 2.4 An order is an instruction to buy or sell a financial instrument which is accepted by Numis for execution or onward transmission to a third party and which gives rise to contractual or agency obligations to the client.

#### 3. APPLICATION TO CLIENTS

##### Eligible counterparties

- 3.1 The best execution obligation does not apply in respect of eligible counterparties. Accordingly, this policy does not apply to business conducted with any firm which Numis has classified as an eligible counterparty in respect of eligible counterparty business. In particular,

fellow members of an exchange are normally classified as an eligible counterparty and accordingly this policy does not apply to business carried on with them.

## **Retail clients**

- 3.2 Numis will always afford best execution (as described below) to clients which it has categorised as retail clients. Such clients are deemed always to be legitimately relying on Numis to protect their interests. The best execution obligation therefore applies whenever Numis executes orders for such clients, except where specific instruction has been provided (see "**Specific Instructions**" section below).
- 3.3 In providing best execution (i.e. the best possible result on a consistent basis), Numis is required to take into account certain execution factors. Where you are classified as a Retail Client, the best possible result is determined in terms of the total consideration representing the price of the financial instrument and the costs associated with the execution (which includes all execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order), where we pass on any costs to the client. However, as costs are not normally passed on to our clients (see below) this factor is not deemed relevant in most circumstances.

## **Professional clients**

- 3.4 Numis will owe best execution obligations where a professional client is "legitimately relying" on Numis to protect their interests. Although we consider that our professional clients will generally be relying on us to protect their interest, ultimately, this will be assessed in relation to each specific transaction. Examples of orders where a client can legitimately rely on Numis to protect their interests include where Numis:
- (a) accepts an order which is executed on an the order book of an Exchange; or
  - (b) fulfils an order directly against its own trading book without recourse to any external party.
- 3.5 Examples of orders where a client cannot legitimately rely on Numis to protect their interests include (but are not limited to) where it is market practice for the client to request numerous quotes from a number of dealers prior to executing a transaction.
- 3.6 Further, where we follow a specific instruction (see "**Specific instructions**" section below) we will be regarded as fulfilling our best execution requirement.
- 3.7 It should be noted that when Numis executes business for a client, it will normally show on the trade confirmation sent to the client an indication that it has acted as principal. This does not necessarily mean that Numis has put itself at risk by adopting a long or short principal position. It signifies that Numis is selling to or buying from the client after carrying out some or all of the following actions:
- (a) buying from or selling to another client who wished to deal in the opposite direction;
  - (b) adopting a principal position whether long or short, especially (though not exclusively) in circumstances where Numis is a formal market maker;
  - (c) adjusting a previously-held principal position whether long or short, especially (though not exclusively) in circumstances where Numis is a formal market maker;
  - (d) buying or selling by using the order book facility of a trading venue.
- 3.8 The securities bought or sold using some or all of the actions set out above are aggregated and sold on to, or bought from, the original client.

## Specific instructions

- 3.9 It has been explained above that Numis normally executes dealing orders in liaison with the client. In this sense an agreed strategy develops and this may be regarded as a form of specific instruction.
- 3.10 Where the client gives Numis a specific dealing instruction, Numis will (subject to FCA rules) execute the order in accordance with that instruction. Numis acting in accordance with a client's instructions shall be regarded as fulfilling Numis' duty of best execution in respect of that part of the order to which the specific instructions relate.
- 3.11 If the specific instruction relates to a part, or to an aspect, of the order, then Numis will execute that part or aspect of the order in accordance with the instruction; but will seek to provide best execution in respect of the balance of the order that is not covered by the specific instruction.
- 3.12 Employees of Numis are forbidden to suggest to, or to induce, the client to give an instruction to execute an order in a particular way if they ought reasonably to be aware that such an instruction is likely to prevent Numis from obtaining the best possible result for that client.
- 3.13 **The client agreement includes a warning, however, that a specific instruction may prevent Numis from following its order execution policy in respect of the order or of those aspects covered by the specific instruction.** Should Numis, in its judgement, consider that a client's instruction is preventing, or is likely to prevent, the best possible outcome for the client then Numis will bring this to the attention of the client so as to give the client an opportunity to revise or reconsider the basis of the instruction (this statement applies equally to OTC markets and to all instruments).

## 4. EXECUTION FACTORS & EXECUTION CRITERIA

- 4.1 In seeking to give a client best execution, Numis is required to take into account the execution factors set out below, as appropriate in the context of the client's order. It is incumbent on Numis to decide the relative importance of each such factor. In making this judgement, Numis must consider certain execution criteria. These are also set out below, together with a note of the relative importance that Numis attaches to each execution factor.

		<i>Execution criteria</i>			
		<b>Nature of client</b>	<b>Nature of client order</b>	<b>Nature of financial instrument</b>	<b>Nature of execution venue</b>
<i>Execution factors</i>	<b>Price</b>	Primary	Primary	Primary	Primary
	<b>Size of order</b>	Secondary	Secondary	Secondary	Secondary
	<b>Speed</b>	Secondary	Secondary	Secondary	Secondary
	<b>Likelihood of execution</b>	Secondary	Secondary	Secondary	Secondary
	<b>Likelihood of settlement</b>	Less relevant	Less relevant	Secondary	Less relevant
	<b>Cost of transaction</b>	Less relevant	Less relevant	Less relevant	Less relevant

- 4.2 Although the below will typically be the priority order we assign to a client order, this may vary depending on the factors set out below. Specifically, in certain circumstances, we may

determine that other execution factors are more important than price in obtaining the best possible result.

## **Analysis of execution factors**

### *General*

- 4.3 In appraising the execution factors, it is important to emphasise a sharp difference that distinguishes an institutional securities firm from a retail securities firm. The latter will execute business for a client at their discretion. By contrast in the institutional marketplace, usually institutions have dedicated centralized dealers through whom all orders are routed; some institutions have fund managers who play the same role. This means that execution factors are discussed by Numis with skilled professionals and an agreed strategy thus emerges. Thus in many instances Numis will be acting on the specific instructions of the client.
- 4.4 A further difference is that many of the institutional dealing orders received by Numis are of a size well in excess of the amount that could be executed by using any order book facility or be satisfied by the principal position-taking of Numis or any other firm. Such orders are executed by working (i.e. sales trading) the order - that is, by finding clients who are willing to deal in the opposite direction from the original order in addition to seeking liquidity across multiple venues (both lit and dark). Numis may, if stock is available or saleable at an appropriate price, execute the deal in part by using an order book facility provided by one of the execution venues. To complete such business it may take a principal position (long or short) to fill any gap. In the case of smaller orders, Numis may execute the business by using the order book facility or by adjusting its own principal position (long or short).

### *Price and size*

- 4.5 Numis believes that, unless a client has specifically indicated to the contrary, price is usually (although not always) the most important factor in the result desired by the client. It therefore rates price as being of primary importance.
- 4.6 However, price will be affected by the size of the intended bargain, as the best market price may not be available in the order size required by the client. A large amount of the business conducted by Numis is in amounts well above the displayed size and accordingly there may be a differential between a price attaching to a displayed size and the price at which a much larger order can be executed. We will use our reasonable judgement in securing the best execution given a particular size of order.

### *Speed and likelihood of execution*

- 4.7 Speed and likelihood of execution are in Numis' judgement synonymous. Once again they will affect price, and in some instances this factor may be given precedence over price. If in a particular case a client wants prompt execution, it may be impossible to satisfy their price aspirations; whereas if the client is prepared to wait, it may (depending on such matters as news flow on results from the underlying company) be easier to obtain the desired price. Speed also interrelates with size. In some circumstances the client will wish the order to be executed on a staggered basis which may limit the market impact of an abnormally large order; in other cases the client will not wish the matter to be handled piecemeal but to be executed in a single bargain, or in a few bargains. It is the practice of Numis to discuss these matters with the client in each relevant case and to follow the importance that the client attaches to the interrelation between price and speed. Numis does not normally make decisions on such matters without discussion with and without the consent of the client.
- 4.8 When Numis works an order, it is impossible to compare the result with what another firm in a similar position might have been able to achieve. Numis does evaluate its execution performance on the basis of liquidity available across multiple venues and in the context of

any instruction from the client. By contrast, when Numis receives an order in an instrument that is within a displayed Exchange Market Size ("**EMS**") and where there are recognised registered market makers, it can make comparisons between the prices available from different market makers (including the in-house market maker). It is the policy of Numis to execute all business through the in-house market maker if the latter makes a market in that stock.

## *Likelihood of settlement*

- 4.9 When dealing in shares whose principal quotation is in London, Numis does not regard likelihood of settlement as an important factor to its best execution obligations. Numis' standard business is in shares which have their primary quotation in the London market. The settlement of such bargains is carried out through the external CREST clearing system. Even if Numis acts as agent in a particular bargain, the dealing rules of the exchanges on which it acts require it to assume liability as principal to its clients. The position is the same in respect of those bargains (a minority of the overall business) that Numis carries out in foreign markets. The securities involved will normally be quoted on an exchange and will be subject to the centralised clearing and settlement procedures of that marketplace.
- 4.10 The only relevance of likelihood of settlement is that if Numis were acting for a client and if there were a sole possible counterparty in respect of that order, Numis would refuse to conclude the bargain if it had doubts about that counterparty's ability to settle until it had clarified the position. This would be the case even if the price acceptable to the counterparty were particularly favourable to the client. Numis would normally consult with the client in such circumstances.

## *Cost*

- 4.11 Numis does not believe that cost is an important factor to giving the client best execution because Numis does not in practice pass on to clients the dealing costs it incurs (though contractually it reserves the right to do so) – for example, the trade reporting fees which are payable for each bargain executed on the London Stock Exchange. Likewise in the case of foreign bargains executed on markets outside London, Numis absorbs the bargain costs – for example, settlement costs – associated with such executions.

## **Analysis of execution criteria**

- 4.12 Numis is required to consider how the execution factors may change in the light of the execution criteria.
- 4.13 Numis believes that the characteristics and nature of the client (especially whether categorised as a professional or as a retail client) have some effect on the grading attributable to the execution factors. It regards price as usually the most important requirement of any type of client but almost always the most important factor for a retail client. It is likely that retail clients will also deal in smaller amounts than institutional (professional) clients and this means that in such cases size (and hence the impact of size on price) is less likely to be a significant factor.
- 4.14 The characteristics of the client order are principally relevant in understanding whether the client wants the best price, even at the risk of delayed execution; or is prepared to sacrifice a fraction of price in return for immediate execution. The orders received by Numis often include specific instructions. The salesmen and sales traders will reflect to the client what can be done and will execute the order or part of it as the client instructs.
- 4.15 Whilst the characteristics of the financial instrument will generally have limited significance, some will be more liquid than others and illiquid instruments will be less readily saleable in volume. This will emphasise the repercussion of size / likelihood of execution on price as

mentioned above. With respect to some instruments effecting a borrow against a short position is difficult and in such circumstances the ability to settle becomes a significant factor in the price or liquidity discovery process.

- 4.16 The characteristics of different execution venues have a limited effect on the execution factors. Unless instructed to the contrary by the client, Numis will seek price competitive liquidity across multiple venues in order to achieve the best possible result for the client.

## 5. EXECUTION VENUES

- 5.1 Numis may use one or more of the following venues listed below to enable it to obtain the best possible outcome on a consistent basis when executing an order on a client's behalf. When choosing entities for inclusion on this list, Numis assesses each entity's ability to obtain the best outcome on a consistent basis having regard to the execution factors listed above. The list below is not exhaustive, is not in order of importance or preference, and Numis may use an execution venue not included on this list.

- 5.2 Numis currently has direct membership with the following exchanges and Multilateral Trading Facilities ("**MTF**"):

- |                               |                       |
|-------------------------------|-----------------------|
| (a) The London Stock Exchange | (d) Turquoise         |
| (b) NEX Exchange              | (e) Cboe Europe - BXE |
| (c) Cboe Europe - CXE         |                       |

- 5.3 Numis has access to and actively trades on a number of other venues such as dark pools\* including, but not limited to:

- |                       |                      |
|-----------------------|----------------------|
| (a) Cboe Europe - CXE | (f) UBS              |
| (b) Turquoise         | (g) Barclays         |
| (c) Cboe Europe - BXE | (h) JP Morgan        |
| (d) ITG               | (i) Kepler Cheuvreux |
| (e) KCG Europe        |                      |

*\* this is correct as at 3 January 2018. MiFID II may change the type / category of the listed venues after this date.*

- 5.4 Numis accesses other exchanges via direct market access ("**DMA**") arrangements with brokers (the list is not meant to be exhaustive and is subject to change without notice):

- |              |                      |
|--------------|----------------------|
| (a) UBS      | (c) Kepler Cheuvreux |
| (b) Barclays | (d) JP Morgan        |

- 5.5 Numis does not provide any form of Direct Electronic Access directly to clients.

- 5.6 Clients are informed of the possibility that Numis may execute bargains away from a regulated market or a MTF or an OTF through the client agreement and in this document, which is attached as a schedule to the client agreement. By agreeing to the client agreement, a client gives express consent to such a possibility.

- 5.7 Numis' own commissions and the costs for executing the order on each of the eligible execution venues does not impact on Numis' decision making and/or selection of eligible venues. In addition, Numis does not structure or charge internal commissions in order to discriminate unfairly between execution venues. Numis also does not receive any



remuneration discount, or non-monetary benefit for routing orders to a particular venue, which would infringe the requirements for it to manage its conflicts of interest. The following paragraphs explain the factors that influence Numis' choice of venue. Numis keeps under constant review the list of venues to which it has arranged access so as to be satisfied that it is able to deliver best execution to its clients on a consistent basis.

- 5.8 Numis caters principally for institutional clients dealing in instruments of varying liquidity. Accordingly many client orders are of a size well in excess of the amount that could be satisfied immediately either by publicised market liquidity or by the principal position-taking of Numis or any other firm. Such orders are executed by working the order with terms negotiated by Numis with both the original client and a client or clients wishing to act in the opposite direction. Whenever possible it is Numis' policy to bring all such transactions on venue when permitted to do so by the rules of the venue. However in circumstances where the rules of the venue do not permit bringing the transactions on venue then the client will trade with Numis in an over-the-counter capacity.
- 5.9 Numis does not charge a differential commission for executing business on one or other of the various execution venues that it uses. The costs to Numis of executing on different execution venues are largely uniform and Numis does not pass any such cost on to dealing clients (although contractually it reserves the right to do so) and the choice of execution venues is not affected by this factor (the exception being that if a client order is, according to instruction, being executed on a passive basis Numis may select an execution venue, for either a part or all of the order, on the basis of cost, but only providing that, in its judgement, access to price competitive liquidity is not being compromised). Accordingly Numis does not discriminate unfairly between different execution venues.

## **Execution venues for foreign equities**

- 5.10 Numis is not a member of any trading venue outside of the UK, however it is able to access many international trading venues through Direct Electronic Access Agreements.
- 5.11 If there is a client order in a foreign equity, and it is not feasible to execute it by using one of the facilities mentioned in the previous paragraph, then Numis may carry out business for a client by passing the order on to a foreign broker for execution on a foreign market. It is often the case that such an order is covered at least in part by specific client instruction. Where in these circumstances a dealing order is not covered by specific instruction, Numis will rely on the foreign broker to provide best execution.
- 5.12 It should be noted, in the case of foreign equities, that there will be occasions when, to carry out the client's wishes, it will be necessary or desirable for Numis or its agents to use a market which is not a regulated market or a MTF or an OTF (noting that such venues should be less relevant given that Numis tends to trade in equities on a regulated market). These terms apply only to markets within the EEA. In countries outside the EEA the local markets will not fall into either of these categories and accordingly the business will have to be carried out (whether through an automated dealing facility or through an agent) outside of a regulated market or a MTF or an OTF.

## **6. AGGREGATION AND ALLOCATION**

- 6.1 Numis will execute comparable orders sequentially and promptly unless the characteristics of the order or market conditions make this impractical.
- 6.2 Numis may on occasion aggregate client orders when we believe it is in the clients' best interest to do so. Clients should be aware that aggregation may work to their disadvantage in relation to a particular order. When allocating an aggregated transaction which includes one

or more customer's orders, Numis will allocate the order on an equal basis, which we consider gives the fairest possible outcome.

## 7. RECEIVING AND TRANSMITTING ORDERS

Where Numis receives a client order and transmits this to a third party for execution, it will take all sufficient steps to ensure best execution is achieved by that entity, taking into account the client's specific instructions (if any), as well as the execution factors outlined above. Numis will, in each instance where it is receiving and transmitting a client order, consider whether it is sufficient to simply transmit the order to another entity, or whether additional control must be exercised by Numis (for example selecting the relevant execution venue in accordance with the arrangements summarised above) when instructing the third party in relation to the order.

## 8. MONITORING

8.1 Numis will monitor the effectiveness of its order execution policy and arrangements on a regular basis. This will include automated surveillance and monitoring to evaluate how effectively all client orders are executed, including whether available pools of liquidity are being accessed efficiently on a consistent basis.

8.2 A selection of best execution reports are available to those clients to whom Numis has a duty of best execution; ranging from a periodic assessment to the analysis of individual trades. Monitoring and surveillance of best execution is the responsibility of both the first and second lines of defence with oversight by the Numis Financial Risk Committee.

8.3 Numis reviews its order execution arrangements and this policy annually, save that it may be reviewed or amended more frequently for example, whenever a "material change" occurs that affects our ability to continue to obtain the best possible result for clients on a consistent basis. A "material change" is a significant event that impacts the parameters of best execution, such as; cost, price, speed, likelihood of execution, settlement, size, or any other consideration relevant to the execution of orders.

## 9. REPORTING

9.1 Numis will:

- (a) make public the top five execution venues in terms of trading volume for all retail client orders, and also separately for all professional client orders, executed or transmitted in the preceding year (commonly referred to as the RTS 28 reporting obligation);
- (b) make public a summary of the analysis and conclusions resultant from detailed monitoring of the quality of execution obtained on the execution venues where Numis executed client orders in the preceding year; and
- (c) always inform clients where the transaction has been executed as a part of its post trade notification process.

9.2 Information that is described above as being made public will be available on Numis' website at [www.numiscorp.com](http://www.numiscorp.com).