

# Numis

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## ORDER EXECUTION POLICY

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## Numis Europe Limited

### ORDER EXECUTION POLICY

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#### 1. INTRODUCTION

1.1 Numis Europe Limited ("**Numis Europe**" or "we") is required to establish and implement an order execution policy. This document sets out Numis Europe's execution policy. It is made available to all professional clients (normally both as an attachment to the relevant client agreement and via our web-site) to ensure that such clients have appropriate information on the policy and to enable Numis Europe 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 Numis Europe 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 Europe has a duty when executing orders on behalf of a client (or to put another way, where the client is legitimately relying on Numis Europe to protect their interests) to take all sufficient steps to obtain the best possible result for its clients.

2.3 Numis Europe may 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.

In such cases, Numis Europe will have best execution obligations in respect of the algorithm and/or broker selection. The algorithm provider/ third-party broker will also be under a duty of best execution (as defined by MiFID II). Further information on Numis Europe's 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 Europe for execution or onward transmission to a third party and which gives rise to contractual 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 Europe has classified as an eligible counterparty in respect of eligible counterparty business. For clarity, third-party brokers which Numis Europe routes orders to are not considered eligible counterparties in this context, and are obliged to comply with this best execution policy of Numis Europe and the best execution requirements of MiFID II including its application in the UK.

## Professional clients

- 3.2 Numis Europe will own best execution obligations where a professional client is "legitimately relying" on Numis Europe 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 Europe to protect their interests include where Numis Europe accepts an order which is then routed to a third-party broker for execution.
- 3.3 Examples of orders where a client cannot legitimately rely on Numis Europe 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.
- 3.4 Further, where we follow a specific instruction (see "**Specific instructions**" section below) we will be regarded as fulfilling our best execution requirement.
- 3.5 It should be noted that when Numis Europe 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 Europe has put itself at risk by adopting a long or short principal position. It signifies that Numis Europe 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) buying or selling via a third-party broker.
- 3.6 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

- 3.7 It has been explained above that Numis Europe 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.
- 3.8 Where the client gives Numis Europe a specific dealing instruction, Numis Europe will (subject to MiFID II rules) execute the order in accordance with that instruction. Numis Europe acting in accordance with a client's instructions shall be regarded as fulfilling Numis Europe's duty of best execution in respect of that part of the order to which the specific instructions relate.
- 3.9 If the specific instruction relates to a part, or to an aspect, of the order, then Numis Europe 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.
- 3.10 Employees of Numis Europe 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 Europe from obtaining the best possible result for that client.
- 3.11 **The client agreement includes a warning, however, that a specific instruction may prevent Numis Europe from following its order execution policy in respect of the order or of those aspects covered by the specific instruction.** Should Numis Europe, 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 Europe 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 all execution methods and to all instruments).

## 4. EXECUTION FACTORS & EXECUTION CRITERIA

4.1 In seeking to give a client best execution, Numis Europe 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 Europe to decide the relative importance of each such factor. The relative importance of these factors is dynamic and depends upon several variables. In making this judgement, Numis Europe must consider certain execution criteria. These are also set out below, together with a note of the relative importance that Numis Europe 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>	Secondary	Secondary	Secondary	Secondary
	<b>Cost of transaction</b>	Less relevant	Less relevant	Less relevant	Less relevant

4.2 Although the above will typically be the priority order Numis Europe assigns to a client order, this may vary depending on the factors set out below. Specifically, in certain circumstances, Numis Europe 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 market place, usually institutions have dedicated centralised 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 Europe with skilled professionals and an agreed strategy thus emerges. Thus, in many instances Numis Europe 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 Europe are of a size well in excess of the amount that could be executed by using any order book facility or besatisfied by the principal position-taking of a 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).

## *Price and size*

- 4.5 Numis Europe 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 Europe 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. Numis Europe will use 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 Europe's 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 Europe 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 Europe does not normally make decisions on such matters without discussion with and without the consent of the client.
- 4.8 When Numis Europe 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 Europe 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 Europe 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.

## *Likelihood of settlement*

- 4.9 When dealing in shares whose principal quotation is in London, Numis Europe does not regard likelihood of settlement as an important factor to its best execution obligations. Numis Europe's 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. The position is the same in respect of those bargains (a minority of the overall business) that Numis Europe carries out on non-UK 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 Europe were acting for a client and if there were a sole possible counterparty in respect of that order, Numis Europe 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 Europe would normally consult with the client in such circumstances.

## Cost

- 4.11 Numis Europe does not believe that cost is an important factor to giving the client best execution because Numis Europe 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 execution and reporting fees and settlement costs which Numis Europe may incur when executing client orders with third-party brokers.

## Analysis of execution criteria

- 4.12 Numis Europe is required to consider how the execution factors may change in the light of the execution criteria.
- 4.13 Numis Europe believes that the characteristics and nature of the client (and its categorisation as a professional client) have some effect on the grading attributable to the execution factors. We regard price as usually the most important requirement of any type of client.
- 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 Europe 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 (in a limited number of cases) 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 Europe will seek price competitive liquidity across multiple sources in order to achieve the best possible result for the client.

## 5. EXECUTION VENUES

- 5.1 Numis Europe use Numis Securities Limited (“NSL”) as its execution broker for equities. NSL is a member of the London Stock Exchange but also uses other venues to obtain on a consistent basis the best possible result for the execution of client orders. NEL will ensure that transactions in shares that are subject to the EU Share Trading Obligation (“STO”) will be executed on a European venue as per MiFIR Article 23 requirements. NSL engages with brokers who have direct access to trading venues for execution in financial instruments (the list is not meant to be exhaustive and is subject to change without notice):

- |                                  |                             |
|----------------------------------|-----------------------------|
| a) UBS                           | j) Morgan Stanley           |
| b) Barclays                      | k) Societe Generale         |
| c) Citigroup                     | l) RBC                      |
| d) Credit Suisse                 | m) Liquidnet                |
| e) Goldman Sachs                 | n) Numis Securities Limited |
| f) Instinet                      |                             |
| g) Virtu ITG                     |                             |
| h) JP Morgan                     |                             |
| i) Bank of America Merrill Lynch |                             |

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

- 5.3 Clients are informed of the possibility that Numis Europe 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.
- 5.4 Numis Europe's own commissions and the costs for executing the order does not impact on Numis Europe's decision making and/or selection of eligible third-party brokers. In addition, Numis Europe does not structure or charge internal commissions in order to discriminate unfairly between third-party brokers and the execution venues that they select. The following paragraphs explain the factors that influence Numis Europe's choice of third-party broker. Numis Europe keeps under regular review the list of third-party brokers 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.
- 5.5 Numis Europe 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 any firm. Such orders are executed by working the order with terms negotiated by Numis Europe with both the original client and a client or clients wishing to act in the opposite direction. Numis Europe has selected third-party brokers that will execute all transactions on venues where possible and permitted to do so by the rules of the venue. However, in circumstances where the rules of the venue do not permit the transactions to be executed on venue, then the client's order will be filled in an over-the-counter capacity.
- 5.6 Numis Europe does not charge a differential commission for executing business with one or other of the various third-party brokers that it uses. The costs to Numis Europe of executing with different third-party brokers are largely uniform and Numis Europe does not pass any such cost on to dealing clients (although contractually it reserves the right to do so) and the choice of third-party brokers 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 Europe may select a third-party broker, 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 Europe does not discriminate unfairly between different third-party brokers.

## **Execution venues for non-UK equities**

- 5.7 Numis Europe is not a member of any trading venue, however it is able to access the UK, EU and international trading venues through its arrangements with NSL and other third-party brokers who themselves are either members of the execution venue or access it via Direct Electronic Access Agreements with third-party broker providers. In these circumstances Numis Europe will ensure that the third-party broker will provide best execution in accordance with this policy and also MiFID II (or local UK equivalent regulation).
- 5.8 It should be noted, in the case of non-UK equities, that there will be occasions when, to carry out the client's wishes, it will be necessary or desirable for Numis Europe through its third-party brokers to use a market which is not a regulated market or a MTF or an OTF. These terms apply only to markets within the UK and EEA. In countries outside UK and the EEA the local markets will not fall into any of these categories and accordingly the business will have to be carried out (through a third-party broker, who may use an agent) outside of a regulated market or a MTF or an OTF.

## **6. AGGREGATION AND ALLOCATION**

- 6.1 Numis Europe will execute comparable orders sequentially and promptly unless the characteristics of the order or market conditions make this impractical.

- 6.2 Numis Europe may on occasion aggregate client orders when Numis Europe 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 Europe will allocate the order on an equal basis, which Numis Europe consider gives the fairest possible outcome.

## 7. RELATIONSHIP WITH OTHER NUMIS ENTITIES

- 7.1 For the avoidance of doubt, where Numis Europe receives a client order and this is executed by another entity in the Numis Group<sup>1</sup>, 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 Europe will, in each instance where another group entity executes a client order, consider whether additional control must be exercised by Numis Europe (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 Europe 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 Europe 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 Europe Risk and Compliance Committee.
- 8.3 Numis Europe 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 Numis Europe 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 Europe will:
- (a) make public the top five execution venues in terms of trading volume 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 where Numis Europe 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 the website of Numis Group at [www.numis.com](http://www.numis.com)

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<sup>1</sup> Numis Group refers to Numis Corporation Plc and all of its subsidiaries including Numis Securities Limited which Numis Europe Limited has appointed as one of its third-party brokers. Numis Securities Limited is authorised and regulated by the FCA.