

# **FNZ Securities Limited**

## **Best Execution Policy**

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## 1. OVERVIEW

This document contains important information and sets out a summary of our policy and approach to achieving best execution for you as required by the FCA's Rules (the "Policy"). Where we refer in this Policy to "Best Execution", this means the requirement to take all sufficient steps to obtain the best possible result on a consistent basis, taking into account price, cost, speed, likelihood of execution and settlement, size, nature or any other execution consideration.

Where we refer to "Execute", "Execution Instructions" or "Execute Instructions" this means where we execute (act on) instructions (also referred to as an "order") sent by your authorised agent, in relation to the assets we hold in custody for you in line with the custody terms and conditions you have agreed to ("the Custody Agreement").

This Policy should be read in conjunction with the Custody Agreement between you and us. Unless otherwise stated, terms that are defined in this Policy have the same definitions as found in the FCA Handbook.

## 2. SCOPE OF THE POLICY

The Policy applies only to clients we provide execution services to (being the execution services as defined in the Custody Agreement) that are classified by us as Retail or Professional Clients (subject to the execution criteria below in Section 3) and who provide Execution Instructions through their authorised agent, in relation to the following financial instruments:

- equities and exchange traded funds (ETFs).
- fixed income (such as bonds).
- certain categories of derivatives.
- structured products; and
- shares or units in collective investment undertakings.

This Policy does not apply to clients who are categorised as Eligible Counterparties (who we do not owe Best Execution to (unless we have agreed otherwise)) nor does it apply to, for example, the following types of products: deposits, loans and FX spot.

For the avoidance of doubt, nothing in the Policy shall result in us owing you any fiduciary responsibilities.

### 3. EXECUTION CRITERIA

When we Execute Instructions on your behalf, in determining our obligations to provide you with Best Execution we will consider the following:

- your characteristics. As a Retail Client the starting point is that you legitimately rely on us to protect your interests in terms of pricing and other elements of the transaction. Where you are a Professional Client, this starting point is reversed and the assumption is that you do not rely on us to achieve Best Execution subject to what is known as the "Four Fold Test" which means we will consider: (i) which party initiates the transaction; (ii) questions of market practice and the existence of a convention to "shop around"; (iii) the relative levels of price transparency in the market; and (iv) the information provided by us and any agreement reached;
- the characteristics of your Instruction (For example, the size of the Execution Instruction).
- the characteristics of the financial instrument your Execution Instruction relates to (for example, the degree of liquidity).
- the characteristics of the Execution Venue the Execution Instruction is directed to (for example, the price offered by the Execution Venue); and
- potential market impact.

### 4. EXECUTION FACTORS

When executing an instruction on behalf of a Retail Client, Best Execution is determined by what is known as the "Total Consideration", which means we consider:

- price; and
- costs,

as the overriding factors in meeting our Best Execution obligations.

When determining the best possible outcome relating to Total Consideration, we may prioritise the following other execution factors or general factors over price and cost as follows:

- speed of Execution.
- likelihood of Execution and settlement; and/or
- size and nature of your Instruction.

When Executing Instructions for Professional Clients unless instructed otherwise, we will apply the same criteria as to Retail Clients. There may, however, be circumstances where depending on the nature of your Instruction other execution factors should be prioritised (for example, speed of execution).

Our approach to the relevant execution factors is summarised as follows:

### **Likelihood of Execution**

In some instances, our ability to execute the order will be the primary factor to be considered. Where, for example, the instrument is illiquid (i.e. rarely traded) or the size of the order is prohibitive we will ensure that our ability to carry out the order takes precedence over other factors. Our application of the Total Consideration requirement (please see above) may mean that this factor is given precedence over the immediate apparent price and cost consideration of a financial instrument where this will – in our opinion – deliver a better overall result for you.

### **Costs**

Where explicit charges (such as Exchange Fees or settlement/custody costs) would make the overall consideration of the execution prohibitive (e.g. due to the cost of many small trades on an order book) then this may become the most important factor for us to consider.

In some circumstances, for example where there are overseas brokerage commissions, other costs may become the most important factor. We may consider that the potential for a large order to move the market, or the possibility that a request for an electronic quote may not be accepted, are grounds for considering cost as being of higher importance than other factors.

### **Order Size**

The best price in a market is usually represented by the opportunity to trade in a particular size (i.e. number of shares, units, contracts etc.) which may not match the size of your order. Where the order is larger than the typical quoted size, then the part of the order executed over and above the threshold may only be available at a less favourable price. There are various strategies for trading large orders, and we will exercise our discretion where there is no other instruction from you. Large or illiquid orders will be executed on a manual basis using the skills of our in-house dealing team. In such cases our dealers will source the best available terms by comparing the prices offered by a variety of market participants (including other regulated firms and Multilateral Trading Facilities) with reference market data. This may require us to execute orders over the course of a day, or a number of days, with the overall order execution being expressed as an average price of all the individual executions.

### **Price**

For most liquid instruments, market price will be the overriding factor in attaining best execution. Other factors, such as costs, will drive us to find the best price available. This will be the case for the majority of orders for Retail Clients where the size of the order does not limit our choice of "Execution Venue" (i.e. where the transaction will be carried out). Certain instruments, such as collectives (unit trusts and Open-Ended Investment Companies (OEIC)) will have only one price, and one Execution Venue.

### **Speed of Execution**

Similarly, the speed of execution may be an important factor for some types of order or client. Speed will be a high priority for a Retail Client executing an order in liquid (i.e. frequently traded) shares in a fast-moving market or for an execution only client.

### **Nature of the Order**

We will take into account any other factor relevant to the order that we believe warrants consideration in terms of how that order should be executed. This could be simply whether it is a buy or sell order, the imposition of price limits, whether it is part of a contingent order, or whether the security is traded on another market.

## **5. SPECIFIC INSTRUCTIONS**

An instruction where you specify to us how you would like our dealing team to execute your instruction. When such an instruction is received by us, we will be deemed to have satisfied our Best Execution obligations by following your specific instruction, although we might be prevented from achieving Best Execution as set out in this Policy.

Where your specific instruction does not cover all parts of your instruction, we will still owe you an obligation of Best Execution for the parts of your instruction not covered by your specific instructions.

## **6. EXECUTION VENUES (COMPETING MARKETS) AND COUNTERPARTY SELECTION**

To meet our Best Execution obligations, we place significant reliance on the Execution Venues and counterparty firms as set out in Appendix 1 of this Policy, which include:

- Regulated Markets (i.e. the London Stock Exchange/ISDX);
- Retail Service Provider (RSP) networks.
- Multilateral Trading Facilities (MTFs)'s.
- Organised Trading Facilities (OTFs).
- Systematic Internalisers; and
- counterparty firms.

The factors we consider when selecting a counterparty firm or Execution Venue include (but are not limited to):

- the execution quality metrics Execution Venues are required to publish under the FCA Rules.
- the historic performance, including the quality of executions obtained over a time period.
- the extent of services that may be provided to enable us to meet our obligations to our clients
- market reputation and any matters arising from our due diligence process.

We consider a number of factors to determine the appropriate Execution Venue or counterparty firm for each asset class and financial instrument type. The factors include the asset coverage and liquidity provided by these Execution Venues and counterparty firms as well as the various costs, exchange fees and any other ancillary charges.

A list of the execution venues we may use can be found in Appendix 1 of this Policy and at FNZ Securities.com.

## **7. GENERAL DEALING ARRANGEMENTS AND BEST EXECUTION**

When we Execute Instructions from you, we utilise those venues that will enable us to obtain Best Execution for you. The execution process for each type of financial instrument is set out below.

## UK Equities

In normal market conditions and for orders concerning liquid (i.e. frequently traded) UK equities, we will use our automated execution technology to identify the best available terms by polling a variety of execution venues including the RSP network. Large or illiquid orders will be executed on a manual basis using the skills of our in-house dealing team. In such cases our dealers will source the best available terms by comparing the prices offered by a variety of market participants (including other regulated firms and MTF's) with reference to market data. Execution of UK equity orders may occur on an 'over the counter' basis (i.e. directly with another market participant and not via an exchange).

## International Equities

International Equity orders will normally be executed on the following basis:

a) For CREST deliverable securities, we will use our automated execution technology to identify the best available terms by polling available execution venues.

Larger orders will be executed on a manual basis as per the arrangements for UK equity orders. Execution of international equity orders may occur on an 'over the counter' basis.

b) For overseas delivery securities (traded locally in the relevant domestic market), we will use our automated execution technology to identify the best available terms by polling available Execution Venues (including other regulated firms). Large or illiquid orders will be executed on a manual basis using our network of local market participants (including MTF's) to source the best available terms. Execution of the international equity orders may also occur on an 'over the counter' basis.

## Collective Investment Schemes / UCITS

We execute orders in collective investment schemes / UCITS directly with the fund manager. Orders are executed on negotiated terms, not generally available to individual clients.

## Debt Securities

For smaller debt security orders, we will use our automated execution technology to source the best available terms from a variety of bond market participants. For larger orders and less liquid bond markets, we will use our network of Tier 1 and secondary market participants to source the best available terms. UK Government bond orders (gilts) may be executed via our automated execution technology or on a negotiated basis via our network of market participants.



## Exchange Traded Funds (ETFs)

In normal market conditions and for liquid ETF orders, we will use our automated execution technology to identify the best available terms by polling available execution venues. Larger or less liquid orders will be executed on a manual basis as per the arrangements for UK equity orders.

## Structured Products

Structured products are executed on an 'over the counter' (OTC) basis with the product provider concerned, rather than on a centralised market exchange. In such cases an execution only client is solely responsible for accepting the terms offered by the product provider and we cannot accept these terms on your behalf.

## 8. EXECUTING OUTSIDE OF AN EXECUTION VENUE

Where you provide an instruction which relates to a financial instrument that is traded on a Regulated Market, MTF or OTF, we may execute such instruction outside of such venues if we believe it is your best interests to transact in this way. For example, this may arise where the investment can be traded at a better price or where there is better liquidity if the trade is executed outside of the Regulated Market or MTF.

By agreeing to our Custody Agreement and this Policy, you are giving us your express consent to execute off-market transactions in this way and understand (and are prepared to accept) the increased credit risk should the counterparty that we trade with on your behalf fail.

## 9. LIMIT ORDERS

Your Investment Manager and/or Dealing Team (acting as your authorised agent) may give us an instruction from you to buy or sell an investment at a specified price limit or better and for a specified size (a "Limit Order"). If we receive such Instruction on your behalf:

- we will not publish orders which are large in scale compared to normal market size as defined by regulatory requirements that apply in the relevant jurisdiction; and
- you expressly instruct us not to publish unexecuted Limit Orders.

The maximum validity period we will allow for a Limit Order may vary. We will confirm this to your Investment Manager and/or Dealing Team (acting as your authorised agent) on request before a Limit Order is placed.

## **10. ORDER AGGREGATION**

We may aggregate Execution Instructions. Aggregation means that we may combine your Execution Instruction those of other clients for execution as a single order. We may combine your Execution Instruction to trade with those of other clients if we reasonably believe that this is in the overall best interests of our participating clients. However, on occasions, aggregation may result in you obtaining a less favourable price once your instruction to trade has been executed. You acknowledge and agree that we shall not have any liability to you as a result of any such less favourable price being obtained.

## **11. MONITORING AND REVIEW**

We monitor compliance with this Policy and our Best Execution obligation on an on-going basis. We have put in place a number of monitoring and review processes relevant to our execution arrangements.

## **12. CONFLICTS OF INTEREST**

FNZ Securities and all staff, in keeping with our regulatory and legal duty to avoid conflicts of interests, have a direct interest in ensuring the best possible execution for its clients. Its staff will abide by FNZ Group policies and guidelines on conflicts of interest. In recognition of potential conflicts of interest which could arise where dealing arrangements include reliance on the use of a connected party, we ensure that such arrangements do not undermine our obligations under the Policy.

The policies and procedures that are in place to minimise conflicts of interest are reviewed and monitored internally by our Compliance departments.

## **13. AMENDMENTS**

Where a material change occurs that impacts our Best Execution obligations (for example, the merger of two Execution Venues) and necessitates an amendment to our Policy, we will notify you of the amendments made via our website: [FNZSecurities.com](http://FNZSecurities.com) and / or in line with our Custody Agreement.

## **14. CONSENT**

By conducting business with us following receipt of this Policy, you will be deemed to have consented to this Policy.

## Appendix One:

List of Execution Venues that we place significant reliance upon:

UK (Exchange Traded Instruments)

Selected Member Firms of the London Stock Exchange and ICAP Securities & Derivatives Exchange Ltd (Market Counterparties) acting as our agent.

Primary Markets (Venues) traded:

USA – NASDAQ, New York Stock Exchange

Canada – Toronto Stock Exchange, Canadian Venture Exchange Asia Pacific – Hong Kong Stock Exchange, Singapore Stock Exchange Australia – Australian Stock Exchange

Switzerland – SIX Swiss Exchange Germany – Frankfurt Xetra

Other overseas Exchanges as required.

Multilateral Trading Facilities

BATS, Chi-X, Equiduct, Turquoise, NYSE Arca Europe

OEICS

The investment company managing the given OEIC.

A full list of Market Counterparties and Overseas Exchanges (venues) that FNZ use to obtain best execution on a consistent basis are available on request at: [FNZsecurities.com](http://FNZsecurities.com)

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