



## ORDER AND BEST EXECUTION POLICY

**SUMMARY:** This document represents Hottinger Investment Management Limited (“HIM”) - FRN 208737 - Order and Best Execution Policy

**OWNER:** HIM ’s Board of Directors and Compliance Officer (“CO”)

**EFFECTIVE DATE:** September 2016

**STATUS:** Live

**APPROVED BY:** The CO of HIM on 19 September 2016  
The Board of Directors of HIM on 19 September 2016

**MODIFICATION HISTORY:**

Version	Date	Reviewed By	Changes
v.2016.01	19/09/2016	Compliance	New Policy, which replaces version dated August 2011

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## **1. OVERVIEW**

### **1.1 INTRODUCTION**

Hottinger Investment Management Limited (“HIM”) is authorised and regulated by the Financial Conduct Authority (“FCA”). We have produced an Order and Best Execution Policy (the “Policy”), to apply to our retail and professional clients and to all financial instruments dealt in the course of carrying out our advisory and discretionary investment management business in the European Economic Area (“EEA”). Under this Policy, we are required to take all reasonable steps to consistently obtain the best possible result for our clients through our order execution policy. Our order execution policy ensures that regulatory and industry best practice is followed in the criteria that we include in our definition of best execution, and therefore in the execution brokers and venues we use.

### **1.2 OBJECTIVES**

Our FCA Part 4A Permissions are:

- Advising on investments (except on Pension transfers and pension opt outs);
- Agreeing to carry on a regulated activity;
- Arranging (bringing about) deals in investment
- Dealing in investments as agent;
- Making arrangements with a view to transactions in investments; and
- Managing investments

Our scope of designated investment business is restricted to conducting regulated activities with retail clients, per se professional clients and eligible counterparties.

### 1.3 PRINCIPLES and RULES

Principles/Rules	Requirements
Principle 2	A firm must conduct its business with due skill, care and diligence.
Principle 6	A firm must pay due regard to the interests of its customers and treat them fairly.
Principle 9	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
SYSC 4	General organizational requirements
COBS 2	Conduct of business obligations
COBS 11	Dealing and managing

### 1.4 RELATED DOCUMENTS and POLICIES

- Dealing and Asset Allocation Policy;
- Personal Account Dealing (“PAD”) policy and procedures;
- Treating Customers Fairly (“TCF”) policy and procedures;
- Conflicts of Interest policy and procedures; and
- Inside Information and Use of Chinese Walls policy and procedures.

## 2. POLICY STATEMENT

### 2.1 BEST EXECUTION REQUIREMENT – OUR COMMITMENT

Hottinger Investment Management Limited (“HIM”) is authorised by the Financial Conduct Authority (“FCA”) to carry out the following activities:

- Manage investments;
- Provide investment advice on portfolio investments; and
- Receive and transmit orders on behalf of our clients.

Under the Markets in Financial Instruments Directive (“MiFID”), we are required to implement an order and best execution policy. As part of these requirements, we must endeavour to take all reasonable steps to obtain the best possible result for our clients either when executing their orders or when receiving and transmitting orders for execution on our clients’ behalf.

This means that we must take into account price, costs, speed, likelihood of execution and settlement, size, nature and/or any other consideration relevant in order to obtain the best possible result from the execution of orders. This requirement is of a general and overarching nature.

In accordance with the FCA's Rules ("FCA Rules"), we have already obtained our clients' consent, either through our client agreement or through our written notification to the clients, in regard to our order execution policy. In addition, we have sought and obtained your express consent for an order execution taking place outside of a Regulated Market ("RM") or outside of a Multilateral Trading Facility ("MTF") and, for providing us with absolute discretion in instructing our counterparties to use their discretion to determine whether or not to publish any unexecuted limit orders.

We consider it important that we have the flexibility to agree to the execution of transactions on our clients' behalf through the most appropriate venues to ensure that our counterparties are able to provide the best possible results whenever undertaking transactions on our clients' behalf. In providing us with the necessary consents we are able to both meet our regulatory obligations and look to achieve our aim to obtain for our clients' with the most advantageous order execution service under the regulatory regime in the United Kingdom.

Our Policy, set out below, is designed to provide our clients with appropriate information on how we take such steps to achieve the best possible result for them.

We will usually place orders to be executed with appropriate counterparties and our Policy applies to such orders when they relate to MiFID financial instruments and whenever we provide the service of portfolio management. It will also apply should we execute an order in a MiFID financial instrument on our clients' behalf.

## **2.2 FINANCIAL INSTRUMENTS**

The full list of MiFID financial instruments comprises:

- Transferable securities;
- Money-market instruments;
- Units in collective investment undertakings;
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
- Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market ("RM") and/or an Multilateral Trading Facility ("MTF");
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
- Derivative instruments for the transfer of credit risk;

- Financial contracts for differences; and
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

A Multilateral Trading Facility (“MTF”) is a type of entity that will compete with existing regulated markets and other execution venues. Other types of execution venues where transactions may be executed on our client’s behalf include a Systematic Internaliser (“SI”). Systematic Internalisers will include firms that currently execute a significant number of transactions between their own clients and through whom it may, on occasion, be possible to execute transactions on a client’s behalf on more favourable terms.

Although we have Part 4A Permission covering all instruments listed in the Markets in Financial Instruments Directive (EC 2004/39) (MiFID), Annex 1C, our client mandates are generally focused on the following instruments:

- transferable securities;
- money market instruments; and
- units in collective investment undertakings.

There may be circumstances where we will also execute a foreign exchange instrument in order to hedge a specific currency exposure and reduce the risk to our clients’ portfolios. However, in general, we do not execute orders on our clients’ behalf in derivatives. Where we do, this is in accordance with the requirements of specific mandates.

### **3. ORDER AND BEST EXECUTION – OUR POLICY**

We do not deal on our own account.

When placing orders for execution, we will seek to obtain the best possible result taking into account the range of execution factors specified by MiFID, namely:

- the execution price;
- the execution costs;
- the execution speed;
- the likelihood of execution and settlement;
- the size of the order to be executed;
- the nature of the order to be executed; or
- any other consideration relevant to the execution of the order including implicit costs.

Within these factors price will usually be accorded relatively greater importance although in the case of less liquid securities or financial instruments, or in more volatile market conditions other factors may need to be afforded relatively more weight to achieve the best outcome for our clients.

### **3.1 EXECUTION FACTORS**

When determining the relative importance of the execution factors included above we will also take into account the following criteria:

- our client's characteristics (including its regulatory categorisation);
- the characteristics, size and nature of the client's order;
- the characteristics of the financial instruments that are the subject of that order; the characteristics of the execution venues to which that order can be directed;
- price;
- cost or commissions of execution;
- the current liquidity for the relevant financial instrument;
- the market impact of the transaction;
- the quality of order execution;
- execution capability;
- the financial status, responsibility and solvency of the counterparty;
- the responsiveness of the broker and/or the execution venue; and
- the quality and efficiency of the settlement process post execution.

### **TOTAL CONSIDERATION**

Total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in the execution of the order.

For example, where an investment firm provides a service with respect to shares admitted to trading on a regulated market it will generally focus on the net cost (or net proceeds in the case of a sale) of executing the order on the venues available, and will direct the order to the execution venue or entity providing the best possible result in terms of total consideration.

Such an investment firm may consider speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs and give them precedence over the immediate price and cost factors if they are instrumental in delivering the best possible result in terms of the total consideration.

### **PRICE**

We are, as a firm that transmits or places orders with brokers and other regulated entities for execution, in our own right, a professional client of these brokers and other regulated entities and therefore, we are also owed a duty of best execution. Our role in the order execution process is predominantly to obtain a competitive outcome from an order execution from our approved brokers.

## **COSTS AND RELATED CHARGES**

MiFID insists on “total price”. This includes (but is not limited to) fees, commissions, expenses, settlement, foreign exchange, taxes, and any other charges. The FCA draws a distinction between the “explicit costs” and “implicit costs” resulting from how a trade is executed.

For example, “at market” (whatever price is current at the time of the order) or “limit order” (an order to transact at a price bound by a limit). The aim is always to obtain the “best net price”.

## **ORDER SIZE**

The emphasis is on both large and small orders, which may have a market impact. The basis for the choice of venue must be demonstrable.

## **SPEED**

The frequency with which prices change varies with different instruments, market conditions and execution venues. For example, the market may move, so that a demonstrably rapid and effective venue is called for. However, for large and/or small orders and orders for less liquid instruments, under certain market conditions other considerations may outweigh speed.

## **LIKELIHOOD OF EXECUTION AND SETTLEMENT**

The best price may not be possible if the execution venue has no depth. Market depth must be demonstrable as must settlement considerations.

## **NATURE OF THE ORDER**

Limit orders, warehoused trades (incomplete trades held on the broker’s books overnight to be added to the completed trade the following day), etc. Competence and reputation in these fields would support the choice of the broker.

Whilst we acknowledge that the markets for different asset classes may place emphasis on different aspects of transactions, our Policy contains overall those execution factors which we consider and take into account in our analysis of whether our brokers, and/or the execution venues, are delivering the best result and execution.

Within this context, we view best execution holistically, taking account of both quantitative and qualitative factors. In addition, we will routinely consider the available execution venues (provided by our brokers) as part of our order execution process. We will determine the relative importance of the execution factors by using our industry experience, expertise and judgement in light of the available market information with the main aim of achieving prompt, fair and expeditious execution of all trades for our clients. This tenet applies to all types of financial instruments that we may seek to place orders for execution.

## **3.2 EXECUTION PROCESS**

When transmitting orders on behalf of clients, the execution process follows three stages:

### **ORDER DECISION**

When a decision to invest is decided by our Portfolio Manager (“PM”), the “decision time” and the pre- allocation between clients is recorded.

## **ORDER PLACEMENT**

Before an order is given, our PM will check the market with the selected approved broker. The time the order is placed with the selected approved broker is recorded and a note is made of the market price taken from the appropriate data provider.

## **ORDER EXECUTION**

The time and the price of the executed order are recorded as per the broker's confirmation initially on the telephone and by faxed print out or other agreed upon electronic communication.

### **3.3 IMPORTANCE OF EXECUTION FACTORS**

In most circumstances, we give the greatest weight to Price and Costs, in line with our evaluation of the market at any time. Our clients are categorised as "Retail" and/or "Per Se Professional" (as defined by the FCA Handbook).

As already stated, although we are permitted to use all MiFID Annex 1C financial instruments, our discretionary investment management mandates generally restrict the selection of financial instruments to equities, bonds, money market instruments and units of collective investment undertakings. Each of these financial instruments has a specific investment and execution profile. However, these specifics do not lead to divergence from our aim of always seeking to obtain the best result for our clients.

### **3.4 EXECUTION VENUES**

Under MiFID's requirements, we must ensure compliance with the best execution obligation by identifying the brokers and/or dealers who will provide the "**best result**" for the relevant instruments and monitor the execution quality of those identified.

MiFID clarifies that its best execution provisions are not intended to require a firm that transmits or places orders with other entities for execution to duplicate the efforts of its execution entities. Rather, a firm should determine that the entities it uses will enable it to comply with the overarching best execution requirement when placing an order with, or transmitting an order to, another entity for execution.

The European Securities and Markets Authority ("ESMA"), which replaced the Committee of European Securities Regulators ("CESR") reiterated this point:

"Furthermore, with respect to the relevant business, if an entity is subject to Article 21 of MiFID or undertakes by contract to comply with Article 21, and the firm merely transmits or places orders with the entity for execution, taking few steps itself that affect execution quality, and the firm has determined that the entity has arrangements that will enable the firm to comply with its obligations under Article 45 of the MiFID Implementing Directive 2006/73 (Level 2), then CESR considers that the firm will be able to place a high degree of reliance on that entity in order to comply with its own overarching best execution requirement. That is, in these circumstances, CESR considers that a firm would be complying with the overarching best execution requirement with respect to particular orders simply by placing them with or transmitting them to such entities."

On this basis, our selected approved brokers are our execution venues.



We are not restricted to using entities subject to MIFID for carrying out orders. In order to be able to use an entity that is not subject to the MiFID best execution regime, in particular a non-EEA service provider, it is necessary, however, for us to ensure that the execution arrangements of such an entity allow them to comply with the overarching best execution requirement.

CESR also noted that a firm may in exceptional circumstances use execution venues not listed in its Policy, for example on a provisional basis or to accommodate a client request to trade in an unusual instrument, with a view to satisfying the overarching best execution requirement. In our case, such circumstances will be addressed by our ongoing review of our execution venues.

Our Policy limits venues with whom or within which we will transact orders to those that are either regulated by the FCA, or regulated by their home state regulator. The specific execution venues and approved brokers that we employ for order execution is deemed to be commercially sensitive information, and as a result, a list of venues and approved brokers does not form part of this Policy statement. This list will be formally reviewed and approved annually for each asset class, and is available to our clients upon request. It is not an exhaustive list but comprises those venues and approved brokers on which we place significant reliance.

We reserve the right to use other execution venues and approved brokers where we deem this to be appropriate in accordance with this Policy, and as such the list may change periodically. The overriding consideration when using execution venues and approved brokers is that the venue and/or approved broker concerned has systems in place which enable the delivery of best execution to our satisfaction and therefore to the benefit of our clients.

We will seek to execute trades or transmit orders both in and outside of regulated markets or within multilateral trading facilities.

### **3.5 COUNTERPARTIES WITH WHICH HOTTINGER PLACES CLIENT ORDERS**

We only pass orders to counterparties for execution where the counterparties have agreed to take all reasonable steps to obtain the best possible result for us and for our clients; and, have provided information on their order execution policy to us. In addition, only those counterparties that we believe will enable us to obtain the best possible result on a consistent basis when transacting our clients' orders will be included in our list of approved counterparties.

In those cases where we request a quote from a counterparty in a MiFID financial instrument, the counterparty will be obliged to ensure that the requirements to comply with best execution criteria are complied with at the time the quote is provided but will usually be under no obligation to update that quote to reflect any subsequent elapse of time. In such instances, as well as when negotiating the terms of a transaction or giving specific instructions in respect of a client order, the counterparty may not be subject to the requirements to comply fully with its own stated order execution policy. In such cases we will closely monitor execution quality to ensure the best possible outcome for our clients.

### **3.6 CONSENTS GRANTED TO COUNTERPARTIES**

In the case of MiFID financial instruments which are traded on a Regulated Market or a Multilateral Trading Facility, we have given our consent to all our counterparties to execute client orders in such financial instruments outside of a Regulated Market or a Multilateral Trading Facility. This is to ensure that our counterparties are able to execute our clients' orders in the most advantageous manner and thus ensure the best possible outcome for our clients.

### **3.7 SPECIFIC INSTRUCTIONS FROM A CLIENT IN RESPECT OF CLIENT ORDERS**

Should we be given specific instructions from a client regarding the execution of an order, we will always follow those instructions. In such circumstances, any such specific instructions may prevent us from taking the steps we have designed and implemented in our best execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.

Where we transmit orders for execution in accordance with express instructions from clients, these transactions may not specifically meet our best execution factor considerations, but will be deemed to achieve the best possible result for our clients, and will be therefore in compliance with MiFID requirements.

Orders with client conditions attached will be executed in compliance with MiFID requirements and, as far as possible, client requirements as long as the overriding responsibility to achieve the best possible result for our clients is not compromised.

### **3.8 PUBLICATION OF UNEXECUTED LIMIT ORDERS**

Under the FCA Rules, we are under a duty to make public certain details of limit orders affected on our clients' behalf, if those orders cannot be filled immediately.

Our clients have already consented to us, when giving us specific instructions, to the extent that we place a limit order on their behalf with a third party for execution by that third party, not to make public (and to use reasonable endeavours to procure that the relevant third party does not make public) the details of that limit order unless we consider, in our absolute discretion, that it is appropriate for such details to be made public (which shall, without limitation, be deemed to include where the relevant third party makes the relevant details of that limit order public in circumstances where we have agreed with that third party that it can do so).

Where requested of us, we will agree to our counterparties using their discretion to determine whether or not to publish unexecuted limit orders.

### **3.9 APPROVED BROKERS**

We maintain a list of approved brokers. They are selected on the basis of their ability to provide the "best result".

The broker's ability to produce best results in the fields of price and costs is of most significance followed by speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs. We charge an investment management fee representing a percentage of funds under management as per our client agreements. Brokers' transaction and/or settlement fees and commissions are passed through to the client without change. It is of major importance that the latter remain reasonable and in line with market practice. Our Executive Directors and Chief Executive Officer ("CEO") monitor the fees and commissions charged to our clients on a continuing basis.

Our approved broker list will include both principal and agency brokers. Within the EEA, only those brokers that are bound by Article 21 of MiFID are eligible to be an approved broker. As stated above, we are not restricted to using entities subject to MiFID for carrying out orders for example when carrying out orders outside the EEA. However, in such cases we are required to ensure that the equivalent to best execution under MiFID is obtained by such counterparties.

Our list of approved brokers is reviewed quarterly and approved by our Executive Directors.

### **3.10 MONITORING AND REVIEW**

We have a duty to act in the best interests of our clients and therefore it is imperative that our PM's monitor and review the performance of a client's portfolio.

During the course of a transaction our PM's have several opportunities for verifying the best result and/or the best execution:

- At the time of order decision, the PM will check the market via the appropriate data provider;
- At the time of the order placement, the PM will check prices with the brokers and place an order with one broker;
- At the time of order execution, the broker will confirm by telephone or electronic means the executed price;
- The broker sends a confirmation by fax to our settlement agent. At this time, the settlement agent will check the fees and commissions and inform us of any discrepancies;
- At the end of each dealing day, the Compliance officer or one of the Executive Directors will review that day's deals and will review all trades and sign-off the daily transactions.

As part of our Compliance Programme, we monitor and review portfolio compliance. Monitoring (inter alia) involves testing for best execution over a sample of trades, client allocation, broker usage, etc. Reviewing involves testing portfolio compliance procedures. A report is included as part of the continuing Compliance Reports provided to the Board of Directors.

### **3.11 RECORD OF BEST EXECUTION**

All client orders are promptly and accurately recorded and allocated. Details of executed trades are maintained on our hard drive.

## **4. DISSEMINATION AND IMPLEMENTATION**

A copy of our Policy is published on our website, [www.hottinger.co.uk](http://www.hottinger.co.uk). Our full Policy is communicated to all staff internally via email and is available on the company's hard drive. Training is provided to staff to ensure their understanding and application of our Policy.

## **5. POLICY DEVELOPMENT AND APPROVAL**

This Policy is owned by our Board of Directors. This Policy has been developed by our CO, reviewed by our Executive Directors and the CEO and has been approved by our Board on 19 September 2016.

## **6. POLICY MONITORING AND REVIEW PROCESS**

We delegate ongoing responsibility to our CO to keep the policy on order and best execution under annual review and ensure that any regulatory developments in this area are identified. In order to monitor ongoing compliance with this Policy, our CO, together with our CEO and other Executive Directors have been tasked with meeting on an annual basis to review and, where appropriate, amend and recommend acceptance by our Board of Directors of this Policy.

## **7. REPORTING**

Management Information (“MI”) will be reported to our Board of Directors in the quarterly Compliance Report.

## **8. DOCUMENT REVIEW CYCLE**

The Policy is reviewed and approved by our Board of Directors at least annually or more frequently in case of changes in the structure of our business.