

## **SHORE CAPITAL STOCKBROKERS LIMITED**

### **ORDER HANDLING AND EXECUTION POLICY**

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#### **1. INTRODUCTION**

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The Markets in Financial Instruments Directive (MiFID I and II) requires Shore Capital Stockbrokers Limited (“Shore Capital”) to have in place an order execution policy and to take all reasonable<sup>1</sup> steps to obtain the best possible result (“best execution”) on behalf of its clients when executing client orders or receiving and transmitting orders for execution.

Shore Capital is required to execute orders from clients in a prompt, fair and expeditious manner, relative to other orders or the trading interests of Shore Capital and to comply with certain requirements in respect of the aggregation and allocation of orders from clients.

Shore Capital is required to provide appropriate information to its clients on its Order Handling and Execution Policy. This document sets out this information.

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#### **2. SCOPE**

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Shore Capital’s Order Handling and Execution Policy applies only to the provision of services by Shore Capital to clients in relation to Financial Instruments. Financial Instruments are those instruments set out in MiFID and include transferrable securities (such as shares and fixed income).

Shore Capital’s Order Handling and Execution Policy also only applies where Shore Capital:

- (i) Receives and transmits client orders; and/or
- (ii) Executes orders on a client’s behalf.

An order is an instruction to buy or sell a Financial Instrument which is accepted by Shore Capital for execution or onward transmission to a third party which gives rise to contractual or agency obligations to the client.

Shore Capital executes orders on a client’s behalf where the client legitimately relies on Shore Capital to protect his or her or its interests in relation to the pricing or other aspects of the transaction that may be affected by how the order is executed. This will likely be the case when Shore Capital:

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<sup>1</sup> Under MiFID II, which comes into force on 3 January 2018, Shore Capital will be under an obligation to take all sufficient steps to obtain the best result.

- Executes an order by dealing as agent;
- Executes a “limit order”
- Executes an order by dealing as riskless principal on behalf of a client; and
- “Works” an order on a client’s behalf.

Shore Capital deals with Eligible Counterparties, Retail Clients and Professional Clients.

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 Shore Capital has classified as an Eligible Counterparty in respect of eligible counterparty business. In particular, other members of an exchange are normally classified by Shore Capital as Eligible Counterparties and this policy does not apply to business carried on with them.

It is assumed that, unless otherwise proven, a Retail Client legitimately relies on Shore Capital to protect its interest and therefore best execution will apply.

When dealing with Professional Clients, Shore Capital will owe best execution obligations where the client is legitimately relying on Shore Capital to execute the transaction. Shore Capital will apply the following considerations in order to help determine if clients do generally place legitimate reliance on Shore Capital:

- Which party has initiated the transaction;
- Whether there is a market convention to “shop around”;
- The relative levels of transparency within a market; and
- The information provided by Shore Capital and any agreement reached.

For quote driven activity conducted with Professional Clients, the assumption is that there is no legitimate reliance in such circumstances. With regard to fixed income securities, we will execute transactions with clients on an over-the-counter (“OTC”) basis, acting on a matched principal basis by transacting with both sides of the transaction on each parties’ acceptance of the negotiated terms, including price (allowing for a spread) and quantity.

Where Shore Capital follows a specific instruction (see below) we will be regarded as fulfilling our best execution requirement.

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

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### **3. DELIVERING BEST EXECUTION**

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Subject to client specific instructions, when executing client orders on your behalf, Shore Capital will take all reasonable steps to obtain the best possible result for our clients taking into account the Execution Factors below. We will determine the relative importance of the Execution Factors by

using our commercial judgment and experience in light of market information available and taking into account the Execution Criteria below.

It should be noted that many of Shore Capital's clients are large financial institutions with dedicated dealers or smaller fund managers who play the same role. Execution Factors are therefore discussed with experienced professionals and, in many cases, Shore Capital and the client will agree a strategy. In addition, many orders are of a size and nature which requires them to be worked by finding clients who are willing to deal in the opposite direction from the original order in addition to seeking liquidity across a number of lit and dark venues.

### Execution Factors

The Execution Factors that will be taken into account include price, size, speed, costs, likelihood of execution, settlement and any other consideration relevant to the order.

The following is the list of Execution Factors and the relative importance of each in respect of the execution of orders at or below the displayed market size:

<b>Execution Factor</b>	<b>Relative Importance</b>
Specific instruction	1
Price	1
Liquidity and size of order	2
Speed of execution	2
Cost of execution	3
Settlement	3

Price will normally be regarded as the most important of the Execution Factors. However, many of the orders received by Shore Capital are above displayed market size and there may be differences in price depending on the order. Speed and likelihood of execution will affect price, in particular where a client wants a prompt execution.

Many of the orders received by Shore Capital are typically in securities characterised by low levels of liquidity. In many cases when executing large orders in such securities, the client may wish to limit market impact and this will have an effect on the price. In some securities or markets characterised by low levels of liquidity, the fact of execution may itself constitute best execution.

Generally, Shore Capital executes transactions in securities through Shore Capital's market making desk where Shore Capital is a registered market maker in the relevant security and where best execution can be achieved. When a security is within the displayed market size and where there are other registered market makers, a comparison of the prices available from such market makers is made to ensure best execution is achieved.

Shore Capital deals mainly in shares which are listed in London, with settlement being carried out through CREST. Shore Capital would not generally seek to execute a transaction with a counterparty where there is a potential settlement concern and so settlement is not considered by Shore Capital to be as significant as the other Execution Factors noted above.

Cost is not typically considered as relevant as the other Execution Factors noted above as Shore Capital does not in practice pass on to clients dealing costs incurred.

## Execution Criteria

The Execution Criteria that will be taken into account are the characteristics of:

- The client;
- The order;
- The Financial Instruments that are subject of that order; and
- The Execution Venues to which that order can be directed (see below).

Shore Capital regards price as usually the most important Execution Factor regardless of the nature of the client (Retail Client or Professional Client). The nature of the order is relevant to best execution, depending on whether the client wants the best price at the risk of delayed execution.

Since many of the orders received by Shore Capital are typically in securities characterised by low levels of liquidity, the type of Financial Instrument is relevant to achieving best execution and the best available price.

Although Shore Capital will typically execute all transactions in securities through Shore Capital's market making desk (where Shore Capital is a registered market maker in the relevant security) it will still assess price based on a number of different venues.

## Execution Venue

A list of the Execution Venues used by Shore Capital in respect of each Financial Instrument is set out in the Appendix. This list is not exhaustive but comprises venues on which we place significant reliance. We reserve the right to use other Execution Venues we consider appropriate. It is not possible to provide a definitive statement as to which Execution Venue would be chosen to execute a specific order. Execution Venues will vary depending on the nature of the Financial Instrument and the order in question (see section 4 Method of Execution below for details).

In relation to equities, Shore Capital may access Execution Venues through Direct Market Access ("DMA") arrangements with brokers. We currently use the DMA services of Barclays, UBS and Bank of America Merrill Lynch. This list is not exhaustive and is subject to change without notice. Shore Capital keeps the performance of such third party brokers under review to help ensure appropriate standards of execution consistent with this Order Handling and Execution Policy.

Many client orders are of a significant size, the execution of which can only be achieved by working the order. In this situation, the Execution Venue is often of secondary importance as the terms of the trade will be negotiated between clients. Shore Capital seeks to undertake all negotiated equity trades subject to the Rules of the London Stock Exchange or NEX.

In the absence of specific reasons to the contrary, the total consideration which is likely to be achieved for the transaction would dictate the Execution Venue.

Shore Capital does not charge a different commission for executing transactions on one or other of the Execution Venues used and Shore Capital does not discriminate unfairly between different venues.

In certain Financial Instruments, there may only be one Execution Venue and in executing a trade in such circumstances, Shore Capital shall presume that best execution has been provided in respect of those types of Financial Instruments in terms of the venue selected.

Shore Capital will regularly assess the Execution Venues available in respect of any Financial Instruments that are traded to identify those that will enable Shore Capital, on a consistent basis, to obtain the best possible result when executing orders of behalf of clients. The list of Execution Venues will be updated, where necessary, following such assessment.

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#### **4. METHOD OF EXECUTION**

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Subject to any specific instructions that may be given by a client, in order to select an Execution Venue for an order, Shore Capital will select the venue that is most appropriate when considering the Execution Criteria and relative importance of the Execution Factors specific to that order to achieve consistently the best overall result on behalf of the client.

Subject to any specific instructions that may be given by the client, Shore Capital will execute an order by one of the following methods or combination of methods:

- outside a Regulated Market or MTF by executing the order with a matching order from another Shore Capital client (note that clients are informed of this fact in Shore Capital's Terms and Conditions of Business ("Terms")); by agreeing to the Terms clients give express consent to such a possibility); or
- directly on a Regulated Market or MTF as a direct member or by using DMA where we are not a direct member of the relevant Regulated Market or MTF or via a third party broker.

If executing orders outside a Regulated Market or MTF, Shore Capital shall check the fairness of price proposed to the client, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products. The consequences of executing orders outside a Regulated Market or MTF include potential increased counterparty and settlement risk arising from the execution.

In any given case we may use more than one Execution Venue if it is appropriate in light of the specifics of the order and/or client instructions.

Client orders may not be received or may not be executed in accordance with this policy due to situations beyond Shore Capital's reasonable control, including disaster, abnormal market conditions and regulatory requirements. We will not consider ourselves bound to provide best execution in such circumstances.

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#### **5. SPECIFIC INSTRUCTIONS**

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Shore Capital normally executes orders with institutional clients following a discussion with the client and an agreed strategy. This may be regarded as a specific instruction, depending on the precise circumstances.

Where a client gives us a specific instruction as to the execution of an order, we will execute the order in accordance with those specific instructions. Where the client's instructions relate to only part of the order, we will continue to apply our order execution policy to those aspects of the order not covered by the client's specific instructions.

Clients should be aware that providing specific instructions to us in relation to the execution of a particular order may prevent us from taking the steps set out in this Order Handling and Execution Policy to obtain the best possible result in respect of the elements covered by those instructions. Where specific client instructions prevent us from following our policy, executing the order in accordance with the client's instructions satisfies our obligation to take reasonable steps to obtain the best possible result for execution of the client order. However, in these circumstances, Shore Capital's traders will usually seek to bring this fact to the attention of the client to give the client an opportunity to revisit the instruction.

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## **6. RECEPTION AND TRANSMISSION OF ORDERS**

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Subject to any specific instructions that may be given by a client, Shore Capital may transmit an order to an external entity, such as a third party broker, for execution. In doing so, Shore Capital will usually seek to act in the client's best interests and consider the Execution Factors and Execution Criteria above.

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## **7. CLIENT ORDER HANDLING**

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Shore Capital provides for the prompt, fair and expeditious execution of orders, relative to other orders or the trading interests of Shore Capital. This is designed to allow for the execution of otherwise comparable orders in accordance with the time of their reception by Shore Capital.

When handling orders, Shore Capital aims to:

- ensure that executed orders are promptly and accurately recorded and allocated; and
- carry out sequentially and promptly otherwise comparable orders in liquid instruments at or below the standard market size for that type of Financial Instrument, unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

Orders will not be treated as comparable if they are received by different methods and it is not practicable for them to be treated sequentially.

Shore Capital will not execute orders or its own proprietary orders (if any) in aggregation with a client's order unless:

- it is unlikely that the aggregation of orders and its own proprietary orders will work overall to the disadvantage of any client whose order is to be aggregated; or
- it has been disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order; and
- it is in compliance with this Order Handling and Execution Policy.

If an order is aggregated with one or more other orders and the aggregated order is partially executed, Shore Capital will allocate the related trades in accordance with this Order Handling and Execution Policy and any supplemental guidelines from time to time.

Where Shore Capital's own proprietary transactions have been aggregated with one or more client orders, Shore Capital will not allocate the related trades in a way which is detrimental to a client. The reallocation of any Shore Capital proprietary transactions would generally be considered as detrimental to a client if, as an effect of that reallocation, unfair precedence was given to Shore Capital or to any particular person.

Where an order is aggregated with a Shore Capital proprietary transaction and the aggregated order is partially executed, Shore Capital shall allocate the related trades to the client in priority to Shore Capital. However, if Shore Capital is able to demonstrate on reasonable grounds that without the combination it would not have been able to carry out the order on such advantageous terms, then Shore Capital may allocate the Shore Capital proprietary transaction proportionally, in accordance with this Order Handling and Execution Policy.

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## **8. MONITORING**

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We will regularly monitor our order execution arrangements, as well as the quality of both our execution and that of third parties to whom we have passed orders. Such reviews will enable us to identify and implement changes to this policy and execution arrangements as necessary. Shore Capital has in place procedures for the monitoring and review of best execution by Shore Capital traders and by the Compliance Department. Clients should note that it may not always be possible to make an effective comparison of execution performance because reliable data is not always available for some markets or financial instruments. However, Shore Capital shall include a review of the data published by investment firms and execution venues under MiFID II to determine the quality of our execution arrangements.

This Order Handling and Execution Policy and our order execution arrangements will be reviewed at least annually. Clients will be advised of any material changes to our policy; such notification shall be made via Shore Capital's website at: <http://www.shorecap.co.uk/shore-capital-stockbrokers-limited-execution-policy>.

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**APPENDIX: LIST OF EXECUTION VENUES**


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Detailed below is the list of venues that Shore Capital use for client orders at the standard market size for that type of Financial Instrument, together with an indication of the relative importance of each Execution Venue by reference to the Execution Factors and Execution Criteria.

UK Equity	Non UK Equity	Unit Trusts, Mutual Funds and other investment vehicles or collective investment schemes in the UK	Corporate or Government Bonds	Futures and Options	CFDs
1. Shore Capital Market Makers	1. London Stock Exchange	1. Relevant Unit Trust or CIS Manager	1. OTC via Counterparty	1. OTC via Counterparty	1. OTC via Counterparty
2. London Stock Exchange	1. Counterparties				
2. NEX					
3. Counterparties					
3. Other Market Makers					
4. Crossing Networks					