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## Order execution policy for fixed income and debt markets

### (Professional Clients)

#### 1. Purpose

This document sets out the order execution policy (the “Execution Policy”) required to be given to clients by the Markets in Financial Instruments Directive 2014/65/EU (‘MiFID’) and FCA’s rules.

In summary, King & Shaxson Limited (‘K&S’) is required by these rules to take all sufficient steps to obtain the best possible results for its clients when executing or receiving and transmitting orders taking into account the execution factors. The execution factors to be taken into account are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.<sup>1</sup> This obligation is referred to as Best Execution.

This Execution Policy summarises our arrangements for executing orders in financial instruments on your behalf.<sup>2</sup> Before we can execute an order with or for you we must obtain your formal consent and you are therefore kindly requested to sign the final page where indicated and return it to [compliance@kasl.co.uk](mailto:compliance@kasl.co.uk).<sup>3</sup>

#### 2. Best Execution

##### When it applies

Best Execution is owed where we have contractual or agency obligations to you.<sup>4</sup> Typically, this will include orders where you are relying on us to obtain the best price available in the size you wish to trade or where you leave with us for subsequent execution (e.g. a ‘worked order’ or an order subject to some other form of discretion on our part).

##### The effect of specific instructions

Where you give us a specific instruction regarding the execution of an order, either in whole or in part, we shall, insofar as is practicable, execute the order in accordance with that instruction. In doing so, we will have satisfied the best execution obligation in relation to that instruction.<sup>5</sup> Where the instruction relates only to part of an order we shall apply the steps contained in our Execution Policy to those other aspects of the order not covered by your specific instructions.

**Please be aware that following a specific instruction given by you may result in you obtaining a**

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<sup>1</sup> COBS 11.2A(1)&(2)

<sup>2</sup> COBS 11.2A.22(1)

<sup>3</sup> COBS 11.2A.24(3)

<sup>4</sup> COBS 11.2A.3G

<sup>5</sup> COBS 11.2A.13G

worse execution outcome than if we had taken our normal steps designed to achieve the best possible result.<sup>6</sup>

### 3. Execution factors and criteria

Unless you give us specific instructions, the execution factors that we shall take into account in determining the manner in which your order will be executed are:<sup>7</sup>

- (i) the instrument/unit price;
- (ii) the execution costs (trading, clearing and settlement, exchange fees etc.);
- (iii) the need for timely execution;
- (iv) the liquidity of the market and availability of competitive prices;
- (v) the size of your order (and its potential price impact);
- (vi) the certainty of timely and effective settlement; and
- (vii) any other consideration relevant to the efficient execution of your order.

Price will ordinarily merit a high relative importance in obtaining Best Execution. However, the factors relevant to any order may sometimes be in conflict and in some circumstances or for some clients, orders, financial instruments or markets, we may appropriately determine that other execution factors are as or more important than price in obtaining the best possible execution result.<sup>8</sup>

We shall further determine the relative importance of each of the execution factors by taking into account the following criteria:<sup>9</sup>

- (i) the characteristics of the client (including their regulatory client categorisation);
- (ii) the characteristics of the order;
- (iii) the characteristics of the financial instrument that is the subject of that order; and
- (iv) the characteristics of the execution venues to which that order can be directed.

### 4. OTC nature of fixed income and debt markets<sup>10</sup>

In general, fixed income and debt markets are significantly less transparent than equity markets, particularly above a relatively small size and/or in respect of any but the most liquid debt issues. The majority of trading, certainly for non-retail business, tends to be on an OTC basis rather than through an exchange or similar venue.

As part of the price discovery process, K&S will therefore usually seek quotes from more than one counterparty in addition to referring to screen-based quotes or prices (where these are available). However, this may not always be possible or desirable. For example:

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<sup>6</sup> COBS 11.2A

<sup>7</sup> Article 65(4) MiFID Org, Article 27(1) MiFID II, COBS 11.2A.10G & 11G, 11.2A.25(3)(a), 11.2A.34

<sup>8</sup> COBS 11.2A11G

<sup>9</sup> Articles 65(4) & 64(1) MiFID Org

<sup>10</sup> COBS 11.2A.21

- (i) The prices visible on a screen (e.g. the prices supplied by various parties and displayed on an aggregated basis by a service such as Bloomberg) may be merely indicative, may only be on the bid or the offer, may not work in the necessary size and will represent only those market makers or liquidity providers choosing to supply prices;
- (ii) Contacting multiple potential counterparties for a price quote, particularly in less liquid instruments, may result in the price moving against the interests of the client;
- (iii) If the client has indicated a need for immediate execution it may not be possible to obtain multiple quotes;
- (iv) There may only be one potential counterparty able or willing to transact (e.g. Certificates of Deposit).

## **5. Receipt and sequence of orders**

You may give us orders to deal via a variety of methods:

- (i) telephone (recorded line);
- (ii) written electronic instruction (email, Bloomberg etc.);
- (iii) in person.

Your orders will be routed for execution in a timely manner and with due care. Orders will be handled in strict time order in which they are received.

From time to time we may face apparent conflicts of interests in handling your orders. We manage these conflicts by placing your interests above our own interests at all times. If we face a conflict that is not manageable under these normal processes we shall notify you at the time so that you may consider whether or not you still wish us to act for you in that transaction. Our conflicts of interest policy, a copy of which is available on request, gives further details.

## **6. Abnormal market conditions**

This policy will not apply at a time of severe market turbulence, and/or internal or external system failure where instead the ability to execute orders on a timely basis, or at all, will become the primary factor. In the event of system failure, we may not be able to access all of our chosen execution venues: where this is the case, you will be notified when placing an order.

## **7. Limit order publication**

Where you give us a limit order in a financial instrument admitted to trading on a regulated market or trading venue which is not immediately executed we will not make that order public.<sup>11</sup>

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<sup>11</sup> COBS 11.4

## 8. Execution venues

### Meaning

An execution venue is a MiFID term meaning any of an exchange (Regulated Market), multiple dealer platform or facility (Multilateral Trading Facility or Organised Trading Facility), single entity effectively operating an internal market (Systematic Internaliser) or single entity acting as a liquidity provider (market maker or other entity willing to buy and sell securities on a regular basis).

### Selection of execution venues<sup>12</sup>

For each asset and product type where we execute orders on behalf of clients, we have selected a number of execution venues that meet our criteria for delivering Best Execution. These have been selected on the basis of consistent quality of pricing, costs and liquidity and the ability to execute your order with speed and certainty, whilst managing the market impact of your order where relevant. The venues we currently use are listed in Annex I. Please note that these are the venues we currently most frequently use and on which we place significant reliance in meeting our best execution obligation. We will naturally use others from time to time as opportunity presents.

Although our costs will necessarily reflect costs charged to us by venues we will not structure our own costs or charges in such a way as to discriminate unfairly between execution venues (i.e. artificially cause one venue appear to be more expensive than another for the same product).<sup>13</sup>

We do not and will not enter into arrangements whereby we receive remuneration or a discount or other non-monetary benefit for routing client orders to a particular venue.<sup>14</sup>

With regard to financial instruments which can be traded on a trading venue (such as Regulated Market or a Multilateral Trading Facility) we may nevertheless judge that we can achieve Best Execution by dealing away from such venues (e.g. because there are better prices or liquidity available elsewhere). Where we do so, there may be additional risks such as:<sup>15</sup>

- (i) A reduction in the number or application of rules designed to regulate dealing and settlement (i.e. because trading venues such as Regulated Markets and Multilateral Trading Facilities are required to put in place such rules);
- (ii) An increase in instrument or counterparty risk (e.g. because, for an illiquid instrument, such an instrument is more likely not to be available on a traded venue and may only be traded by smaller, less creditworthy firms);
- (iii) Increased settlement risk (e.g. where the instrument is not settled through an international settlement system such as Euroclear or Crest).

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<sup>12</sup> Article 65(5) MiFID Org and COBS 11.2A.21

<sup>13</sup> COBS 11.2A.17G

<sup>14</sup> COBS 11.2A.19

<sup>15</sup> COBS 11.2A.24

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**We may only deal away from a trading venue if you give us prior written consent (which you can do by signing and returning a copy of this document).<sup>16</sup>**

### Monitoring of execution venues

Not all execution venues which could provide a price for the financial instrument are used. Reasons for not using a venue include the costs of connecting to the venue, the higher costs of execution, the excessive or disproportionate time involved in contacting and evaluating all possible venues and the risk of securing worse prices from liquidity providers by spreading order execution too thinly. This may mean that sometimes a better quoted price may have been available on another venue. However, the intention is to provide Best Execution on a consistent basis and, to ensure that venues used continue to meet this requirement, all venues used are subject to ongoing monitoring. Similarly, the availability of other or new venues is kept under ongoing review.

Subject to any specific instructions that may be given by you, we may transmit an order for execution that we receive from you to another King & Shaxson group entity or to an external entity, such as a third party broker. We may only do so where we believe the entity receiving the order will achieve Best Execution on our and your behalf.

## 9. No creation of wider fiduciary responsibility

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.

## 10. Monitoring of these arrangements

In addition to execution venues used, we will monitor the quality of our execution arrangements generally and promptly make any changes where we identify a need to do so.

You will be notified of any material change to the Execution Policy before it becomes binding (for example, the emergence of a new execution venue on which we intend to place material reliance).

We shall in any event review these arrangements not less than annually, to ensure that we continue to deliver the best outcome to you in executing your orders.

## 11. Consent

We acknowledge receipt and understanding of the K&S Execution Policy. In particular:

- (i) We consent to K&S executing our orders outside a trading venue such as a Regulated Market or Multilateral Trading Facility or Organised Trading Facility; and
- (ii) In the event we place with K&S a limit order regarding a financial instrument admitted to trading on a Regulated Market, Multilateral Trading Facility or Organised Trading Facility and

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<sup>16</sup> COBS 11.2A.24(2)

that order is not immediately executed under prevailing market conditions we hereby instruct K&S not to make the order public.

Name:	
Signature:	
Date:	
For and on behalf of:	