

## Order Execution Policy

### 1 Introduction

In accordance with the requirements of Article 27 of the Markets in Financial Instruments Directive II (2014/65/EU) (“**MiFID II**”) and the Financial Conduct Authority (the “**FCA**”)’s rules (the “**FCA Rules**”) implementing MiFID II, **JonesTrading International Limited** (“**JTIL**”, the “**Firm**”, “**we**”, “**us**” or “**our**”) is required to establish and implement effective order execution arrangement including an Order Execution Policy. The aim of the Firm’s Order Execution Policy (this “**Policy**”) is to set out in sufficient detail and in an easy to understand way how we will handle the execution of our clients’ orders. This Policy is a formalised statement of our existing approach to execution, reflecting our everyday practice when dealing with clients. By giving us an order, you are deemed to have consented to your transactions being handled in accordance with this Policy.

Our intention is, so far as possible, to exercise consistent standards and operate appropriate processes across all markets in which we operate. We also intend to provide our clients and other market participants with access to, where possible, tradable prices on a non-discriminatory basis. However, the diversity in those markets and instruments, what we know of our clients trading intentions and the kind of orders that may be placed, mean that different factors will have to be considered in relation to any transaction.

It is our policy to:

1. establish and maintain execution arrangements and execution policies;
2. disclose our execution policies to our clients;
3. monitor the effectiveness of execution arrangements and execution policies;
4. conduct periodic reviews on our execution arrangements and this Policy, at least annually and whenever a material change occurs; and
5. demonstrate to clients that we execute orders in accordance with our execution policies.

## 2 Scope of this Policy

### 2.1 Clients categories

This Policy is applicable to all orders received from and executed on behalf of our Professional Clients (“PCs”) and Eligible Counterparties (“ECPs”) as defined in MiFID II and the FCA Rules. We do not have the regulatory permission to engage in regulated business with Retail Clients. Please note that JTIL does not owe best execution obligations to ECPs and consequently, section 3 of this Policy is not applicable to ECPs.

### 2.2 Financial instruments

JTIL is a cash equity agency brokerage. Although the Firm’s regulatory permission granted by the FCA permits it to transact a wide range of financial instruments, JTIL currently offers cash equity products only, for which, this Policy is applicable.

### 2.3 Financial services

2.3.1 We understand “a client order” to be an instruction from a client to buy or sell a financial instrument. For that order to be considered as such and covered by this Policy, there must be:

- (i) the client’s acknowledgement and agreement of our Order Execution Policy;
- (ii) transmission in a proper manner, as agreed between the client and us; failing that, at the least, in a recordable medium accepted by us;
- (iii) transmitted to an authorised member of our trading staff by an authorised member of the client’s staff;
- (iv) the order must be acknowledged and accepted; and
- (v) provision of confirmation from us to you by terms of business and/ or client categorisation communications that this Policy applies.

2.3.2 JTIL provides execution in the following ways:

- (i) reception and transmission of orders;
- (ii) execution of orders on behalf of clients; and
- (iii) dealing on own account (only as matched principal).

### 2.4 Specific instructions from a client

Where the client gives JTIL a specific instruction you wish an order to be executed (“**Specific Instructions**”), we will follow those Specific Instructions. These may prevent us from following this Policy and could lead to best execution not being achieved. Under the regulatory regime, when we follow Specific Instructions, we are deemed to have satisfied our best execution obligations in respect of that particular part or aspect of the order. To the extent that the client’s specific instructions are not comprehensive, we will determine any non-specific components in accordance with this Policy.

### **3 Best Execution**

#### **3.1 Execution Factors**

We will take **all sufficient steps** to obtain, when executing orders, the best possible result for our clients, taking into account but not limited to:

- (i) price;
- (ii) costs
- (iii) speed;
- (iv) likelihood of execution and settlement;
- (v) size;
- (vi) nature; and/ or
- (vii) any other consideration relevant to the execution of the order (collectively, the **“Execution Factors”**).

As a general guideline, price will merit a high relative importance in obtaining the best possible result for our clients. However, illiquid and negotiated financial instruments, price is likely to be more closely inter-related with, and dependent on, the size of the order and the available liquidity.

#### **3.2 Best Execution Criteria**

When executing client orders for PCs, we will take into account the following criteria for determining the relative importance of the Execution Factors:

- (i) the characteristics of the client including the categorisation of the client;
- (ii) the characteristics of the client order;
- (iii) the characteristics of the execution venues to which that order can be directed;
- (iv) the characteristics of the financial instruments that are subject of that order;
- (v) price and cost of execution;
- (vi) when executing orders or taking decisions to deal in bespoke products the investment firm shall check the fairness of the price proposed to the client by gathering market data used in the estimation of the price.

#### **3.3 Explicit external cost**

We will also consider, when executing orders and when choosing venues, the explicit external cost of a transaction including:

- (i) commissions passed on by intermediaries;
- (ii) fees;
- (iii) taxes;
- (iv) exchange fees; and
- (v) clearing and settlement costs.

#### **3.4 Our approach to Best Execution**

We will aim to provide best execution subject to and considering the nature of your order, the prices available in the market, the nature of the market in question and a reasonable assessment of the, sometimes, overlapping and conflicting execution factors. This may conclude, in some cases, that price may be less important than size in illiquid situations. We will check and monitor the fairness of prices proposed as well as gather the market data used in the process of estimation of prices.

### 3.5 Exemption from the provision of Best Execution

We will not owe clients a best execution obligations in the following circumstances:-

- (i) if the client is categorised as an ECP;
- (ii) where we supply or respond to a “request for quote” and unavoidable conflicts of interest arise, for example where we have received a quote from a counterparty on a restricted basis. In these cases, we will take all appropriate steps to identify and manage those conflicts;
- (iii) we have an obligation to provide best execution where we receive a firm and clear order from a Professional Client to buy or sell a financial instrument. However, we have no such obligation where we merely provide prices to a client at which a counterparty is willing to buy or sell or where the client contacts us in an unsolicited way and asks us to provide a quote for a particular financial instrument;
- (iv) where you provide instructions or where we provide either “an indication of interest” or a “request for quote” that you accept by executing a transaction, we will not in general be executing your order. In these circumstances, we will take your best interests into account but will not be deemed to be acting on your behalf and the best execution responsibilities will not apply;
- (v) Brokers acting in a name passing capacity are receivers and transmitters of orders but in carrying out their activities they do not receive and transmit orders for execution. Where orders are not transmitted for execution, the requirement to provide best execution will not apply;
- (vi) where we are required to unwind a client position (for example, where a client is in default under a contractual obligation) we will not owe that client a duty of best execution in relation to the trades undertaken to unwind the position;
- (vii) where any of the other exemptions mentioned in this Policy apply.

## **4 Execution Venues, DMA Providers and other Brokers**

### **4.1 Use of Execution Venues**

4.1.1 To achieve our best execution, we consider it appropriate to use one or more of the following types of execution venues:

- (i) Regulated Markets (“**RMs**”);
- (ii) Multilateral Trading Facilities (“**MTFs**”);
- (iii) Organised Trading Facilities (“**OTFs**”);
- (iv) Systematic Internalisers (“**SI**”);
- (v) non-EEA markets;
- (vi) third party brokers acting as market makers or other liquidity providers; and
- (vii) JTIL’s internal sources of liquidity (i.e. matched principal).

4.1.2 We may transact trades on your behalf on any of the execution venues detailed in Annex 1 herein. The list is not exhaustive but consists of those on which we place most reliance. We reserve the right to use other execution venues where it is deemed appropriate to comply with the best execution requirements. Where we invite you to choose the execution venue or entity, the information given to you will be fair, clear, not misleading and sufficient for you to make an informed choice.

4.1.3 In general, we will pursue the venues that offer us the best chances of achieving the best possible result for our PCs on a consistent and regular basis. These considerations include but are not limited to:

- (i) volume;
- (ii) price spreads;
- (iii) financial instruments traded;
- (iv) technology;
- (v) location;
- (vi) trading hours;
- (vii) explicit external costs including fees;
- (viii) total consideration of transaction;
- (ix) visibility;
- (x) quality of data;
- (xi) reliability of fills and clearing;
- (xii) counterparty risk; and
- (xiii) access.

4.1.4 On occasions, JTIL may utilise its internal sources of liquidity on a matched principal basis. JTIL may cross your order with a matching order from another client in a non-systematic manner. This could reduce the costs of execution as the client’s order would be executed on an over-the-counter or outside of trading venue. The price of the cross will depend on a number of factors, including but not limited to:

- (i) the price on the primary market;
- (ii) client order limits, if any;
- (iii) liquidity; and
- (iv) any other relevant circumstances.

In most circumstances, crosses via JTIL will likely transact within the primary market spread.

4.1.5 We will monitor the effectiveness of our order execution arrangements and execution policy to identify and, the best possible results for our clients. When selecting the venue on which to transact trades, we will take suitable measures to ensure that the selected venue obtains the best possible trading result for our clients on an overall basis and not a trade by trade basis and therefore we are under no obligation to obtain best execution for every client order.

#### 4.2 Use of DMA Providers

4.2.1 JTIL is not a direct member of any RMs, MTFs, OTFs and is not a SI. We utilise the services of leading Direct Market Access ("**DMA**") providers to access liquidity within RMs, MTFs and OTFs. We also make use of our DMA provider's Smart Order Routing ("**SOR**") systems.

4.2.2 JTIL selects its DMA providers in accordance with its approach with venue selection in 4.1.3 above. JTIL will not chose a DMA provider whose charges are significantly greater than other providers unless we are satisfied that the nature of services provided are likely to benefit our client in providing the best possible result.

4.2.3 Where we use automated systems to route and execute client orders, it will be routed to the best execution venue as determined by the criteria set out in 3.2 above. Certain large orders that require specialist handling (for example to minimise market impact or price distortion) will be managed by our execution staff.

4.2.4 We will monitor and review the effectiveness of order execution arrangements provided by our DMA providers annually. This will be assessed on a quantitative and qualitative basis. For our PCs, we will check that our DMA providers are achieving the best possible outcome in accordance with section 3 of this Policy.

#### 4.3 Use of other Brokers

4.3.1 On occasions, to act in your best interests, we may route a client order through a third party for execution. In these circumstances, whilst the deal will be with a third party, we retain execution control and will assess whether the third-party broker is achieving the best results in the relevant markets.

4.3.2 Where JTIL transmits an order for execution to a third party broker that is an affiliate of JTIL, we will monitor and review the quality of execution in the same way as we would for any other execution venue or DMA provider.

4.3.3 Where your order is for the purchase or sale of securities in North America, JTIL will transmit your order for execution by our US-regulated affiliate, JonesTrading Institutional Services LLC, as appropriate. In doing so, we are satisfied that we have complied with our overarching obligation to you to consistently achieve the best possible result for you in all circumstances.

4.3.4 We will monitor and review the effectiveness of order execution arrangements provided by third party annually. This will be assessed on a quantitative and qualitative basis. For our PCs, we will check that the third party brokers are achieving the best possible outcome in accordance with section 3 of this Policy.

## 5 Order Aggregation and Allocation

JTIL is required to conduct its business with integrity and treat its customers fairly. In applying these principles to when JTIL aggregates and subsequently executes an order for a client (including a market counterparty) dealing on their own account or executing on behalf of their underlying client, we will allocate the investment concerned fairly to all clients. Comparable client orders communicated to us in the same form will be carried out sequentially and all client orders will be handled in a timely fashion, unless the characteristics of the order or prevailing market conditions make this impracticable, or the interest of the client requires otherwise.

### 5.1 Aggregation

5.1.1 As a rule, we will not aggregate orders if it is likely to work to the disadvantage of any of our clients. However, we have specifically disclosed in our terms of business that we may aggregate client orders with other client orders or with own account orders and that such aggregation may, on occasions, work to their disadvantage.

5.1.2 We may work your order by executing it in more than one transaction during the course of a trading day, or aggregate your order with orders of our other clients and execute them as a block or in multiple transactions. In such cases, it is our policy to provide you with an average price confirmation which summaries the aggregate amount of securities purchased or sold and the average price of the executions.

5.1.3 We undertake to not carry out your order in aggregation with another client order unless the following conditions are met:

- (i) it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and
- (ii) it has been disclosed orally or in writing 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.

5.1.4 We will not aggregate your order with orders of our other client if you expressly instruct us orally or in writing not to do so.

### 5.2 Allocation

When allocating an aggregated transaction, we will not give unfair preference to ourselves or to any of those for whom we have dealt. Where the aggregated total of all orders has not been completed in full, we will give priority to satisfy client's orders, unless we can demonstrate on reasonable grounds that without our own participation it would not have been able to execute those orders on such favourable terms, or at all.

## 6 Order Handling

### 6.1 Client Limit Orders

- 6.1.1 Where a client gives us a limit order, we will attempt to execute it immediately. If all or part of that order is not executed under the prevailing conditions of the market, unless expressly instructed by you otherwise, we are obliged make it public by placing that order on a trading venue in a manner that is easily accessible to other market participants.
- 6.1.2 Where an order is large in scale relative to the market, our obligation to make such limit orders public is dis-applied.
- 6.1.3 In order for us to exercise our discretion and assess reasonably whether it is in the client's best interest to make such limit orders public, the clients must provide us with express instruction that they:
- (i) consent to JTIL exercising its discretion as to whether to make such limit orders public; or
  - (ii) do not wish to make such limit orders not immediately executable public.

### 6.2 Trading Strategies

- 6.2.1 Our overarching policy is to adopt strategies and venues that will give our clients a consistent quality of execution. The quality of execution will be measured over a period of time no longer than one (1) year and it will not be measured on a trade by trade basis. We will tailor our execution strategy according to:
- (i) the class of financial instrument.
  - (ii) the level of instruction the client has given – specific or guidance.
  - (iii) the venues that financial instrument may be traded across.
  - (iv) the size of the order in relation to the liquidity in the market place.
  - (v) the time scale the client has indicated; and/ or
  - (vi) the timescale it would be appropriate to use to complete the order.
- 6.2.2 We will use the venues and strategies disclosed in this Policy but where appropriate and where we feel that a better result for the client will be achieved, we will make the “call around” market. We may further deviate from a venue or a strategy where we may reasonably obtain more favourable terms for the client.
- 6.2.3 We will use different strategies for different financial classes, indeed we may adopt different strategies for two financial instruments within the same financial class of instruments. We understand for example that in the equities market there are shares with high degrees of liquidity where it is entirely possible to execute a trade in “one hit” and other shares where the same notional amount will take several hours to trade.

- 6.2.4 In exchange traded instruments and where technology allows us, we may use a suite of algorithmic strategies to achieve best execution. This may be facilitated via a third party receiving broker. We will electronically or occasionally manually transmit client orders to the receiving broker for it to execute under its exchange memberships. The choice of these strategies will differ between exchanges, financial classes of instruments, state of the market and sometimes time of the day. These may include the following:
- (i) Iceberg orders;
  - (ii) Percentage of the volume;
  - (iii) Limit orders;
  - (iv) Market on close;
  - (v) VWAP volume weighted average price;
  - (vi) TWAP time weighted average price; and
  - (vii) Fill or kill.
- 6.2.5 We engage our clients on both an electronic and voice basis. We may arrange trades on a 'name passing' basis however, there are two other brokerage business models: 'matched principal' and 'exchange give-up' we may use.
- 6.2.6 In the cash equity products, we may act as 'matched principal' to the trade to provide anonymity and ensure client confidentiality to its counterparties. We may engage in aggregation of trades to reduce the number of settlement counterparties where appropriate. All these trades are subject to transaction and trade reporting obligations. Fixed income products previously traded OTC must be executed over a venue (MTF or OTF) unless on a truly bilateral basis or are deemed not to have a trading obligation.

## **7 Monitoring and Disclosure**

### **7.1 Compliance Monitoring**

7.1.1 We will make regular assessments of transactions in order to determine whether JTIL has complied with our order execution policy and if the resulting transaction has achieved the best possible result for the customer. We will set out separately, in our best execution monitoring programme, the methodology used for this process.

7.1.2 If our monitoring shows that there are shortcomings, we will consider if it is because of a deficiency in our policy or arrangements and make appropriate amendments. Our monitoring will be conducted in a proportionate manner, including but not limited to:

- (i) front office monitoring;
- (ii) use of transaction cost analysis to communicate with clients; venue, DMA provider or third-party broker selection process; and
- (iii) the scope and scale of monitoring for different financial products and in what capacity we act.

## **8 No Fiduciary Duty**

The commitment of JTIL to provide our clients with Best Execution does not mean that we owe any fiduciary responsibility over and above our regulatory obligations placed upon us or as may be otherwise contracted between us and you. Where we transmit orders on behalf of our clients to other authorised firms for execution, we are not required to duplicate efforts and shall rely on that firm to provide Best Execution. Furthermore, we are not responsible for the investment decisions of our clients and will not be responsible for any losses suffered.

## **9 Conflict of Interest**

We will not accept or receive any remuneration, discount or nonmonetary benefit from a venue, DMA providers or third party broker that does not comply with our obligations to the regulator and if such a benefit were to be received it will be disclosed to the client.



**Annex 1 Execution Venue utilised by JTIL YTD 2017**

**Equities**

Societe Generale SA

JonesTrading Institutional Services LLC

Goldman Sachs International

Louis Capital Markets UK LLP

Investment Technology Group Limited



**Annex 2 DMA providers utilised by JTIL YTD 2017**

**Equities**

Societe Generale SA

Goldman Sachs International

Investment Technology Group Limited