

# **Guy Butler Limited**

## **Best Execution and Client Order Handling Policy**

**Date of Review:** March 2023

**Date of Next Review:** March 2024

### **Introduction and Purpose**

In order for Guy Butler Limited (GBL) to be compliant with the FCA's Best Execution Requirements in COBS 11.2A, GBL is required to act honestly, fairly and professionally in accordance with the best interest of clients when providing investment services.

The Best Execution and Client Order Handling Policy sets out how GBL will ensure that all sufficient steps are taken to obtain the best possible result for clients and that their orders are handled in a fair, just and timely manner.

### **Application**

This Best Execution and Client Order Handling Policy applies to all financial instruments when GBL is executing eligible client orders, placing orders with, or transmitting orders to other entities for execution. Exemptions from this Best Execution and Order Handling policy are detailed below.

### **Policy – Best Execution**

#### **General Obligation**

The best execution obligation requires GBL to take all sufficient steps to achieve the best possible result on a consistent basis, rather than in every case. GBL has implemented Best Execution mechanisms, including:

- Ensuring this policy is designed with the intended outcomes in mind
- Front-office accountability
- Systems and controls and detection capabilities to identify any potential deficiencies, and monitoring of the execution quality obtained as well as the quality and appropriateness of the execution arrangements

Best Execution obligations apply to all financial instruments as set out in MiFID II. This includes; bonds, equities, structured products, as well as other products that GBL does not tend to trade but includes, derivatives such as options, futures and swaps.

The best execution obligation is applicable when a customer is placing a legitimate reliance upon us to achieve the best result possible.

The European Commission has set out the four-fold test (referred to by the FCA as the "four-fold cumulative test") which aims to show when a client can expect to receive best execution, because they are placing their reliance on GBL. The points are to be determined cumulatively when deciding if the client is expecting best execution.

The four-fold test comprises:

1. Which party initiates the transaction.

Where a client initiates a transaction, it is expected that the client is not placing reliance on GBL for best execution. Where GBL has provided axes, runs and other market communication, this should not be relied upon to assume we have initiated the transaction.

2. Questions of market practice and the existence of a convention to “shop around”.

Where the market practice is for the client to “shop around” the market in order to find the best quote from various market sources, it is less likely the client will be placing their reliance on GBL for best execution.

3. The relative level of transparency within a market.

Where a market is liquid, with many price providers and it is likely that the client will have access to other such prices, it is less likely that the client will be providing sole reliance on GBL for your execution.

4. The information provided by GBL and any agreement reached

Where our agreements with the client, including this policy and our Terms of Business state that GBL will provide Best Execution, then it is more likely that the client will be placing reliance upon GBL.

**Exemptions from the provision of Best Execution**

Notwithstanding the intentions expressed above, GBL does not undertake to provide “best execution” in the following circumstances:

Eligible Counterparties

If you are classified as an Eligible Counterparty you will not be entitled to best execution under the UK Financial Conduct Authority (“FCA”).

Client Specific Instructions

Where you provide us with a specific instruction in respect of your enquiry including an instruction for your trade to be executed on a particular venue, we will execute, as far as practical, in accordance with your instructions. However, please note that in following your instructions, we will be deemed to have taken all reasonable steps to provide the best possible result for you in respect of the enquiry, or aspect of the enquiry, covered by your specific instructions. Such instructions may include requests to execute at specific prices or trade with specific brokers.

Should there be any remaining part of the order, then GB will use our discretion and revert back to our execution policy.

Transaction Arrangements in a Name-Passing Capacity

Should GBL act in a name-passing capacity it will be as a receiver and transmitter of orders. In carrying out these activities GBL does not receive and transmit orders for execution. Where orders are not transmitted for execution, the requirement to provide best execution will not apply.

## **Execution Factors**

In the absence of express instructions from you, we will exercise our own discretion in determining the factors that we need to take into account for the purpose of providing you with the best possible result. These will include:

- Price
- Size
- Speed
- Costs
- Likelihood of timely execution and settlement
- Any other consideration relevant to the efficient execution of the enquiry

GBL will exercise judgement in the best interests of its clients given their different needs and requirements and is required to take into account the following characteristics to determine the relative importance of the execution factors:

- The client
- The client order
- The financial instruments that are the subject of that order
- The execution venues to which that order can be directed

GBL is responsible for assessing the relative importance of the execution factors in light of these criteria and the process by which it determines the relative importance of those factors. This may result in a range of different permissible approaches to executing client orders based on each financial instrument we trade.

## **Deciding Execution Venues**

In choosing the Execution Venues for a particular instrument class, GBL has taken care to select those Execution Venues that, in the firm's view, will enable it to obtain on a consistent basis the best possible results for its clients.

## **Execution Venues**

This Execution Policy sets out in the Appendix the venues on which GBL will seek to execute your requirements, and which we believe offers the best prospects for achieving the best possible results for you, considering the execution factors detailed above. GBL may use one or more of the following types of venues:

- Regulated markets (RM's)
- Systemic Internalisers (SI's)
- Multilateral Trading Facilities (MTF's)
- Organised Trading Facilities (OTF's)
- Order crossing networks
- Guy Butler's principal positions
- Third party investment firms acting either as brokers or market makers
- Other exchanges that are not regulated markets

## **Best Execution Considerations for Each Instrument Class**

GBL's assessment of the relative importance of the execution factors in relation to decisions to deal in each Instrument Class is detailed in the table in the Appendix. This policy differentiates between each of the separate categories of financial instrument where GBL may execute.

### **OTC products**

When executing orders or taking decision to deal in OTC products, GBL will take reasonable steps to ensure the fairness of the price proposed. This will primarily be done by considering relevant market data and may also include price comparison with similar or comparable products.

## **Policy – Client Order Handling**

### **General Obligation**

GBL will implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders and to allocate orders fairly when it conducts transactions involving several clients in the same security at the same time. This Order Handling and Allocation Policy sets out the procedures and arrangements that GBL has implemented to meet these obligations.

### **Order Handling**

If an order is given by one client only, it is executed in the normal manner in accordance with the Best Execution Policy and the entire execution is allocated to this client.

Comparable client orders will be executed sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

### **Aggregation and allocation of aggregated Orders**

When aggregating client orders in the secondary market the following requirements will be met

- It is unlikely that the aggregating of orders and transactions will work to the disadvantage of any client whose order is to be aggregated
- It will be 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
- Where orders are aggregated with other client orders, these orders will be allocated in a fair and reasonable basis subject to any applicable rules
- Where clients' orders have been aggregated with the firm's own account order and the total order cannot be completed, the clients' orders will be completed first

When aggregating client orders in the Primary market where GBL is the bookrunner then the following will apply

Orders will be allocated according to the size of the original order. Where an order is not completed, then to ensure fairness, GBL will generally allocate partially executed orders on a pro-rata basis. Orders will be allocated to clients on a basis believed to be fair and equitable.

Records for primary market transactions where GBL is responsible for allocations must include the time and date the order was received, the client's identity, the size of the original order and the amount allocated to each party involved. GBL is required to retain the records of such orders for a period of at least 5 years from the date on which the order is allocated.

## **Inducements**

GBL shall not structure or charge its commissions in such a way as to discriminate unfairly between execution venues or brokers. GBL shall inform clients about inducements it may receive from execution venues.

## **Review and client notification requirements**

At least annually, GBL will review this policy to ensure it is capable of delivering best execution on a consistent basis and orders are handled in a fair, just and timely manner. GBL will also review this policy and/or its execution arrangements whenever a material change occurs that could affect its ability to obtain the best possible result for the execution of its clients' orders. What is material will depend on the nature and scope of any change. In order to comply with its obligations GBL will make available on the website any material changes to this policy. The reviews will be supervised by compliance and this requirement has been incorporated into GBL's compliance monitoring process.

## **Compliance Monitoring**

The compliance monitoring process will involve a periodic review by compliance of a random sample of transactions to ascertain whether the best possible result was obtained in respect of those transactions.

Compliance has set out various factors that will identify transactions that require further investigation to determine whether Best Execution was achieved.

For transactions where price was the most important execution factor, this will involve a review of prices that were available at the time of execution. Where better prices than the price obtained were available, compliance will discuss this with the relevant member of staff who effected the transaction and determine whether, bearing in mind the other factors that the dealer considered to be of importance (e.g. size and nature of order) at the time, the best result was nevertheless achieved.

Where another execution factor was the most important (e.g. speed of execution), compliance will consider whether the best possible result was achieved in terms of that factor and again whether, bearing in mind the other factors that the dealer considered to be of importance at the time (e.g. price, size and nature of order), the best result was nevertheless achieved.

**Appendix: Execution venues and prioritisation of execution factors**

| Execution Venue                     | Financial Instrument | Prioritisation of Execution Factors   |
|-------------------------------------|----------------------|---|
| Bloomberg MTF                       | Liquid bonds         | <ul style="list-style-type: none"> <li>• Price</li> <li>• Size</li> <li>• Likelihood of execution</li> <li>• Speed</li> <li>• Other considerations</li> </ul> |
|                                     | Illiquid bonds       | <ul style="list-style-type: none"> <li>• Price</li> <li>• Likelihood of execution</li> <li>• Size</li> <li>• Speed</li> <li>• Other considerations</li> </ul> |
| MarketAxess                         | Liquid bonds         | <ul style="list-style-type: none"> <li>• Price</li> <li>• Size</li> <li>• Likelihood of execution</li> <li>• Speed</li> <li>• Other considerations</li> </ul> |
|                                     | Illiquid bonds       | <ul style="list-style-type: none"> <li>• Price</li> <li>• Likelihood of execution</li> <li>• Size</li> <li>• Speed</li> <li>• Other considerations</li> </ul> |
| Tradeweb                            | Liquid bonds         | <ul style="list-style-type: none"> <li>• Price</li> <li>• Size</li> <li>• Likelihood of execution</li> <li>• Speed</li> <li>• Other considerations</li> </ul> |
|                                     | Illiquid bonds       | <ul style="list-style-type: none"> <li>• Price</li> <li>• Likelihood of execution</li> <li>• Size</li> <li>• Speed</li> <li>• Other considerations</li> </ul> |
| NEX Exchange                        | Illiquid bonds       | <ul style="list-style-type: none"> <li>• Price</li> <li>• Likelihood of execution</li> <li>• Size</li> <li>• Speed</li> <li>• Other considerations</li> </ul> |
|                                     | Equities             | <ul style="list-style-type: none"> <li>• Price</li> <li>• Likelihood of execution</li> <li>• Size</li> <li>• Speed</li> <li>• Other considerations</li> </ul> |
| London Stock Exchange via DMA       | Equities             | <ul style="list-style-type: none"> <li>• Price</li> </ul>   |
| London Stock Exchange market makers |                      | <ul style="list-style-type: none"> <li>• Size</li> <li>• Likelihood of execution</li> </ul>   |
| Non UK Stock Exchanges via DMA      |                      | <ul style="list-style-type: none"> <li>• Speed</li> <li>• Other considerations</li> </ul>   |