

Smart  
Investor

# Best Execution

How we arrange and  
execute transactions

Barclays Investment  
Solutions Limited



# Best Execution: How Barclays Investment Solutions Executes transactions

## Execution Policy Notice

### Introduction

Barclays Investment Solutions Limited executes orders in various asset classes depending upon the products and services we are providing to you. Asset classes include equities, debt instruments, Collective Investment Schemes and foreign exchange. In carrying out this activity we will Execute Orders directly with a trading venue (such as a Regulated Market, Multilateral Trading Facility or Organised Trading Facility) or counterparties that are systematic internalisers or market makers. We may also transmit orders to counterparties to Execute.

Before we complete any orders in investments for you, it is important that you understand how we will Execute such orders. The information contained in this policy is a summary of our Best Execution Policy and is designed to provide you with a general understanding of our typical dealing arrangements for different asset classes (Part 3), the execution venues that we use and other counterparties to which we transmit orders, where relevant (Part 4). Please note that this information should not be seen as a prescriptive statement of how a particular order must be dealt with.

Best execution is the requirement to take all sufficient steps to obtain the best possible result for you taking into account various execution factors relevant to the order.

### Part 1 – When we apply best execution to your investment transactions

We will apply our best execution standards to all of your orders. This is consistent with the general principle that your classification (whether you are classified as a retail, professional or eligible counterparty client), whilst an important factor in the overall context of our relationship, will not be usually considered in terms of the quality of execution we obtain for you.

Responsibility for best execution applies not only to ourselves but also to other entities with whom we interact with on orders. When we place or transmit your orders with a counterparty, we will act in accordance with your best interests and ensure that the entities with which we place or transmit your order, including where we may utilise a counterparty's proprietary algorithmic trading, have execution arrangements that enable us to obtain the best possible result for you.

Best execution is delivered by our considering a number of execution factors outlined in Part 2 below.

### Part 2 – Factors affecting our selection of an execution venue for orders including the process by which we determine the relative importance of certain execution factors

When Executing an order on behalf of a retail client, best execution is primarily determined in terms of total consideration. Total consideration is the price of the relevant financial instrument, plus the costs related to Execution, including all expenses incurred by you which are directly related to the order such as execution venue fees, clearing and settlement fees and any other fees paid to entities involved in the order (express costs) and implicit costs such as market impact.

While the same process is applied in practice for orders we Execute for clients who are not categorised as retail clients, we may also bear in mind your investment objective on a case by case basis when determining how to achieve the best outcome for your order and total consideration may no longer be the overriding factor.

There are other execution factors to be considered and which may be used over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of total consideration.

These are:

- (1) speed of Execution;
- (2) likelihood of Execution and settlement;
- (3) size and nature of order;
- (4) market impact; and
- (5) any other implicit transaction costs.

In coming to our determination, we will consider the type of financial instrument that is the subject of the order, the type of order and its specific characteristics, such as the size of the order and liquidity, as well as the execution venues to which the order could be directed.

Client instructions and market impact will be crucial in the selection process but we will also consider:

- Historical volumes
- The time of day
- The spread
- Any limit price you supply as part of your instructions
- Historical performance of the counterparty and the algorithm's they make available to us for an order to be Executed in line with specific parameters.

### **Where you provide a specific instruction**

Our ability to achieve the best possible result, and hence our obligation to do so, will be limited to the extent that we are following a specific instruction from you. For example, where we are given specific instructions on the use of a counterparty or other execution venue this may prevent us achieving the best possible terms for the order. Where any instruction relates 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 specific instruction.

Where we receive specific instructions from you in relation to the importance of the execution factors (for example, if you request that cost of Execution should be a more significant factor than price), we will Execute the order in accordance with such instructions.

### **How we analyse the quality of Execution and verify the best possible results are obtained**

Order Execution is monitored pre and post trade on an ongoing basis and is subject to regular sampling, testing and evidencing against best execution criteria to ensure the best possible result is obtained for you. We ensure that we select appropriate benchmarks and thresholds that determine the quality of Execution that should be achieved and employ the use of third party tools such as market data vendors in order to verify the level of Execution quality. This is overseen by a governance structure which gives senior management sufficient oversight that we are achieving best execution on a consistent basis and where exceptions to this are identified these can be addressed.

## **Part 3 – Our typical dealing arrangements for different types of investment**

### **1. Equities (including ETFs)**

For standard UK market orders, and in normal market conditions, we may poll different execution venues, using automatic execution technology to identify the best terms available to us at the point of trading for the equity concerned.

#### **1.1 UK Equities**

UK Equities are largely Executed via a Retail Service Provider (RSP), request for quote, model. An RSP is a counterparty which is typically a London Stock Exchange (LSE) member firm which provides non-order book price quotes based on the price available on the LSE's order books. The model has a highly automated price polling mechanism across a panel of RSPs to determine the best terms available at the point of Execution. In order to maximise the effectiveness of the price discovery process where applicable we also utilise the proprietary trading technology of Barclays Investment Bank for cross trading venue price discovery.

Where orders cannot Execute automatically (typically due to large value or low liquidity) a manual price discovery model is used leveraging market data feeds and approved counterparty relationships which leads to Execution with the counterparty who offer the most competitive terms available (Part 4).

As part of this model RSPs (provided that they also comply with their duties as an LSE member firm & registered market maker when executing transactions) are responsible for trade reporting all trades in the stocks we execute with them to the relevant venue. In circumstances where we do not execute a UK equity with an RSP the following applies:

- Via a Multilateral Trading Facility (MTF) – The responsibility will be on the MTF to report.
- Where we execute directly on a Regulated Market – By executing in this way reporting is automated.
- Via a Systematic Internaliser (SI) – The responsibility will be on the SI to report.

Barclays Investment Solutions' execution policy does not permit equity transactions to be performed outside of a Trading Venue or Systematic Internaliser using any other methods, given that they are required in order to comply with the Equities Trading Obligation as applicable under and defined in MiFID, and involve additional risk to customers.

There is typically no execution fee levied by the counterparties due to the fact that Execution is predominantly conducted under LSE member firm status.

## 1.2 International Equities

International Equities are largely Executed using other entities Direct Electronic Access facilities. This provides us with the ability to select various trading strategies provided by an approved counterparty panel. We utilise the exchange membership and trading strategies offered by the counterparty.

Orders are Executed via different execution venues which can be directly on exchange, via Multilateral Trading Facilities (MTFs) or directly with an approved counterparty. This is done either automatically via routing rules which are available on selected exchanges or routed manually by a dealer.

Various proprietary trading algorithms of counterparties may also be used in determining the appropriate strategy to achieve best execution and an execution fee is levied by the counterparties.

## 1.3 Limit Orders

In some cases, we believe that immediately publishing your unexecuted limit orders may not be in your best interests and may result in us not achieving the best possible result for you, particularly where this concerns best total consideration, speed and certainty of Execution, market impact and avoidance of partially filling your order. Under these circumstances, we consider we should apply our discretion as to when and how your unexecuted limit orders are made publicly available. For International Equities where the limit order is within 10% of the actual price, we will (where relevant) publish your limit order immediately by transmitting it to the relevant trading venue. If you do not wish us to make your order public, we will not be able to comply with this request for International Equities because your limit order needs to be transmitted to a trading venue in order to be executed.

## 2. Debt Securities (or "bonds")

The debt market in some locations is not centrally organised, and for many non-government issues, is not a liquid market. Where liquidity is available orders are largely Executed via MTFs or directly with an approved counterparty on a request for quote basis to determine the most competitive overall pricing for the size of order concerned, where liquidity does not exist orders will be dealt manually in order to identify counterparties that are quoting prices in the security concerned.

## 3. Collective Investment Schemes

We will usually trade directly with the fund manager or fund administrator.

## 4. Over the counter products

Over the counter products are products that are traded other than on a trading venue (for example structured products). Over the counter products are dealt either directly between us and our client, or may be sourced via a counterparty. The order routing process will depend firstly on the execution factors. Further issues that may affect the order process are the following:

- for bespoke, highly negotiated transactions or for those which may be original trading ideas or for which we have a duty of confidentiality to the originating firm, we will route such orders exclusively to the originating firm since there will be no other available market liquidity within a reasonable timeframe; and
- for some more standardised products, we will usually select and price poll from a shortlist of counterparties identified by us to be among the most competitive in the field concerned.

## 5. Foreign Exchange (or 'FX')

Under normal market conditions and based on the consideration of the execution factors, we use Barclays Investment Bank as our primary FX provider for spot FX using electronic trading tools such as BARX FX. Orders undertaken with Barclays Investment Bank are subject to the same best execution criteria as trades done with any other counterparty.

In the event that we cannot Execute electronically we will Execute manually.

## Part 4 – The Execution Venues or firms that we use

### 1. Regulated Markets

Regulated markets are subject to strict operating rules governed by the relevant regulatory body in each jurisdiction in which they operate. Execution via a Regulated Market occurs in line with the rules of each exchange which are designed to protect market participants.

We use many regulated markets to Execute client orders. However, we place significant reliance on the following regulated markets when we Execute deals on your behalf:

- London Stock Exchange – all markets (generally via our RSP model)
- New York Stock Exchange
- NASDAQ
- Euronext

### 2. Multilateral Trading Facilities (MTFs)

MTFs are privately operated order matching systems which act in a similar way to an order driven market. Similar to regulated markets, these execution venues are subject to regulatory standards determined and governed, in jurisdictions subject to the legislative powers of the EU, by the requirements of the Markets in Financial Instruments Directive (MiFID).

We place reliance on the following MTFs when we Execute deals on your behalf:

- Market Axess
- Tradeweb
- Bloomberg

### 3. Organised Trading Facilities (OTFs)

MiFID II introduced a new type of Trading Venue called an Organised Trading Facility (OTF) which is a multilateral system which is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract. We will only Execute on an OTF if it is in your best interests to do so.

### 4. Trading bilaterally with other Regulated Firms

We may, where regulations permit, make use of the following forms of off-exchange trading when relevant to the service provided to our client:

- Systematic Internalisers, being firms who routinely offer prices on listed investments outside of a regulated market or MTF;
- Other authorised firms which trade in debt securities, and over the counter derivatives.

Off-exchange trading may be conducted with other counterparties or with Barclays Investment Bank.

When executing your orders outside of a Regulated Market, MTF, or OTF, we will always consider the best interests of clients when selecting the counterparty. Executing with a counterparty may create exposure to counterparty risk and, as such, our credit risk assessment of counterparties may have an impact on our selection of the counterparty and the strategy adopted for each trade.

### 5. Counterparties

We seek to ensure we have deep relationships with high quality counterparties with an aim of maximising execution quality in terms of price net of any related dealing costs. For example, for equities and debt securities we operate a counterparty panel which has been developed to provide sufficient competition across the assets dealt by our clients. In certain circumstances it may be necessary to transact with counterparties who do not feature on our counterparty panel. We will only do so when we reasonably believe it is necessary to transact in this way in order to achieve best execution. Our approved counterparty panel is available in Part 5 below.

We will always make every effort to select execution venues to achieve best execution. This includes use of automated price polling mechanisms, utilisation of connected divisions such as Barclays Investment Bank and manual selection based on factors outlined in Part 2 (above) together with experience and expertise of our dealing teams.

Prior to being accepted onto our panel, all counterparties or execution venues used for execution of orders must meet a set of minimum criteria. Counterparties and execution venues are reviewed on a regular basis throughout the year and will be subject to ongoing performance assessment based on quality of Execution and overall efficiency.

## Part 5 – Counterparties

Our current approved counterparty panel is set out below; there may be changes to the panel from time to time.

### Equities and ETFs

Arden Partners PLC	Investec	Peel Hunt LLP
Barclays Investment Bank	J&E Day	Royal Bank of Canada
Berenberg	Jane Street Financial Ltd	Shore Capital
Canaccord Genuity	Jefferies	Singer Capital Markets
Cantor Fitzgerald Europe	JP Morgan	Stifel Nicolaus Europe Limited
Cenkos Securities PLC	Liberum Capital Ltd	Susquehanna
Credit Suisse	Marex	Virtu Financial
Finncap Ltd	Morgan Stanley	WH Ireland
Flow Traders B.V.	Numis Securities Ltd	Winterflood Securities
Goldman Sachs	Optiver	
Instinet	Panmure Gordon (UK) Ltd	

### Debt Instruments

ANZ Bank	Deutsche Zentral Genossenschaftsbank	Nomura Securities
Banco Santander	Flow Traders B.V.	Peel Hunt LLP
Bank of America Merrill Lynch	Goldman Sachs	Royal Bank of Canada
Barclays Investment Bank	HSBC	Royal Bank of Scotland
BNP Paribas	ING	Toronto Dominion
Bridport	Jane Street Financial Ltd	UBS
Canaccord Genuity	Jefferies	Wells Fargo
Canadian Imperial Bank of Commerce	JP Morgan	Winterflood Securities
Citigroup	Lloyds	ZKB (Zurcher Kanonalbank)
Creditgroup	MarketAxess	
Credit Agricole	Mizuho Securities	
Credit Suisse	Morgan Stanley	

### Foreign Exchange

Our primary counterparty for Foreign Exchange is Barclays Investment Bank.