
Order Execution Policy

Liberum Capital Limited

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Policy Governance

Business Owner	Compliance Officer
Approved By	Risk & Regulatory Committee
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Document Version History

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1	October 2015	Minor changes	Compliance Officer
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Order Execution Policy

This order execution policy (“Order Execution Policy” or “Policy”) is supplemental to the Liberum Capital Limited (“Liberum” or “we”) professional client terms of business (“Terms of Business” or “Agreement”) provided to our clients and therefore forms part of the terms of agreement between us and our clients.

Please contact Liberum’s Compliance Team in the first instance if you have any questions regarding the contents of this policy.

Introduction

This Policy summarises the steps that we take to obtain the best possible results for our clients when executing or receiving and transmitting client orders, in accordance with the requirements of the EU Markets in Financial Instruments Directive (“MiFID”) and the rules of our regulator, the Financial Conduct Authority (“FCA”).

When executing orders or receiving and transmitting orders on behalf of our clients (as described in Scope below) we will take all sufficient steps to obtain the best possible result for our clients on a consistent basis taking into account the price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order (“Best Execution”) alongside our other regulatory obligations, particularly in relation to conduct of business rules and conflicts of interest.

Scope

This Order Execution Policy applies only to circumstances where we have received an order from a Client¹ which we execute or where the order we have received is passed to a third party, or third parties, for execution and therefore we owe an obligation of best execution (except for ECP clients).

We will be under an obligation for Best Execution when executing orders “on a client’s behalf” where we:

- owe a contractual obligation to the client;
- execute an order by dealing as principal;
- execute an order by dealing as principal on behalf of a client; or
- “work” an order on a client’s behalf.

Finally, where we provide a quote on request and a client then transacts with us on the basis of that quote provided that, taking into account the changing market conditions and the time elapsed between the offer and acceptance of the quote, the quote is not manifestly out of date.

Liberum’s Capacity in Executing Transactions

Liberum will generally act as “principal” on a transaction meaning we will trade with a client in one, or more, of the following ways:-

- trading via an order book facility;
- trading with another client or third party broker;

¹ as defined in the FCA Handbook

- adopting, or adjusting a previously-held, principal position as market maker or otherwise.

The Financial Instruments² that are bought or sold in accordance with some or all of the above may then be aggregated by Liberum and traded with the client to satisfy their order.

Liberum will, where possible, execute client orders subject to the Rules of the London Stock Exchange and the transaction will, generally, be trade reported to the London Stock Exchange. However, where an advantageous price is achievable via a third party broker we may, subject to the client's agreement, trade report to an alternative venue, e.g. BATS, Chi-X.

Aggregation and Allocation of Orders

Liberum will not carry out a client order or a transaction for its own account in aggregation with another client order unless the following conditions are met:

1. 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
2. it has been disclosed to each client that if an order is aggregated, the effect of such an aggregation may work to its disadvantage in relation to a particular order (this is disclosed via the terms of business).

If Liberum aggregates a client order with one or more other orders and the aggregated order is partially executed, it must allocate the related trades on a pro-rata basis.

If Liberum aggregates transactions for its own account with one or more client orders, Liberum will not allocate the related trades in a way detrimental to a client.

If Liberum aggregates a client order with a transaction for its own account and the aggregated order is partially executed, Liberum will allocate the related trades to the client in priority to its own.

However if Liberum 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, or at all, it may allocate the transaction for its own account proportionally.

Method of Execution

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

- directly on a Regulated Market², Multilateral Trading Facility² ("MTF"), an Organised Trading facility ("OTF"), a systematic internaliser, a market maker or other liquidity provider;
- indirectly on a Regulated Market or MTF or systematic internaliser with a third party participant with whom Liberum have entered into an agreement for handling orders for that Regulated Market or MTF or, where Liberum are not a direct member of the relevant Regulated Market or MTF,.
- outside of a Regulated Market or where Liberum has obtained the client's prior express consent,
- by executing the order with matching orders from other Liberum clients.

² as defined in the FCA Handbook

Execution Processes

When executing a client order we will seek to obtain the most favourable terms taking into account Best Execution, our other regulatory obligations and any specific terms that the client may impose on their order.

Where the client provides us with specific instructions Liberum will execute their order in accordance with those instructions. Where their instructions relate to only part of the Order, we will continue to apply this Policy to those aspects of the order that are not covered by those specific instructions. In following the client's specific instructions we will be deemed to have satisfied our Best Execution obligations.

However, it should be noted that by in providing such instructions this may prevent us from obtaining the best possible result for the client.

Execution Factors

Liberum has a duty to obtain the best possible result when executing an order on a client's behalf. In considering how to achieved this we will take into account the following:

- (i) price;
- (ii) costs;
- (iii) speed;
- (iv) likelihood of execution and settlement;
- (v) size;
- (vi) nature of the order; and
- (vii) any other consideration relevant to the execution of the order.

Together (the "Execution Factors" or "Factors")

In determining the relative importance of the Factors we will use our commercial experience and judgement, having regard to the following:

- a. the size and characteristics of the order,
- b. the characteristics of the Financial Instrument³ to which the order relates
- c. the characteristics of the client;
- d. the possible execution venues to which the order may be directed; and
- e. the characteristics of those execution venues to which the order may be directed.
- f. The prevailing market conditions

In executing client trades Liberum believes that price is the most important Factor in the result desired by the client and is therefore of primary importance. However price is impacted by the size of the trade and particularly the size of the trade relevant to the Exchange Market Size (the maximum number of shares in a listed company that can be traded in a single transaction at the price quoted by the market maker) and accordingly there may be a differential between a price attaching to a displayed size and the price at which a much larger order can be executed.

³ as defined in the FCA Handbook

Notwithstanding the foregoing we recognise that the circumstances relating to a particular client, order, financial instrument or market, may give us reason to determine that other Execution Factors are more important than price in obtaining Best Execution for the client.

Execution Venues – Venue List

Liberum's Order Execution Policy also incorporates those venues that we access via third party providers and who we consider enable us to obtain, on a consistent basis, the best possible result for the execution of client orders.

Liberum may, on an exceptional basis, execute orders on venues or via brokers that do not appear on Liberum's Venue List, where we deem it appropriate in accordance with this Policy.

We will assess the execution venues available to identify those that will enable us, on a consistent basis, to obtain the best possible result on an order by order or product by product basis. The Venue List will then be updated, where necessary, following such an assessment.

Up to date versions of the Venue List can be provided on request from the Compliance Department.

Liberum may also pass an order to another broker or dealer (which may be located in or outside of the EEA) for execution, in which case we will either determine the ultimate execution venue ourselves on the basis described above, and instruct the other broker or dealer accordingly, or we will satisfy ourselves that the other broker or dealer has arrangements in place to enable us to comply with our Best Execution obligations to the client.

Liberum will also take steps not to structure or charge commissions in such a way as to discriminate unfairly between execution venues it uses to execute orders.

Finally, for some Financial Instruments⁴ there may only be one venue, in such circumstances we believe that time taken to execute the transaction will be primary Factor to consider in providing Best Execution for the client.

Venue Selection & Analysis

In establishing the protocols for execution of equity orders the overriding drivers remain driven by customers' requests for block liquidity (with superior venue reach), low reversion and high spread capture (as measured by Transaction Cost Analysis (TCA)).

Under MiFID it will be necessary to look at a broader range of factors when choosing an execution method.

The firm can employ circa 150 electronic algorithms in order to optimise the "execution outcome" for each order.

It will become increasingly necessary to use a sequence of these algorithms, rather than deploying them simultaneously, to produce an outcome that maximises the TCA results, and by definition an acceptable level of "best execution".

⁴ as defined in the FCA Handbook

The electronic counterparties selected by Liberum are done so on the basis of the best possible outcome (as defined in TCA) and may include price, cost, speed, likelihood of execution & interconnectivity with EMSA large in scale venues etc.

From time-to-time, subject to ad hoc reviews, venues may be switched off for toxicity and adverse signalling reasons

Intraday analysis is performed on orders via Bloomberg and Fidessa analytics tools, and on a T+1 basis via independent TCA provider LiquidMetrix. Furthermore, there is ongoing dialogue with the firms DMA providers to continually optimise client execution outcomes.

There are a number of other factors used in venue selection such as quality and provision of risk controls around orders (typically better and more sophisticated offerings available from bulge providers), the quality and provision of service by 3rd party electronic desks & the way the order is passed from sales trading desk to trading desk(s)

Trading outside a Regulated Market or a Multilateral Trading Facility (“MTF”)

There may be occasions where we assess that achieving the best possible result in executing a client’s order requires us to execute the order outside a Regulated Market or MTF for example with a Systematic Internaliser. In such circumstances, we are required to obtain the client’s prior express consent prior to trading.

As stated in our Terms of Business, where necessary we will separately seek consent from the client to execute their orders outside of a Regulated Market or MTF. This may be required to provide access to diverse sources of liquidity.

Limit Order Publication

If a client gives Liberum a limit order in relation to shares admitted to trading on a UK or an EEA regulated market, Liberum will be required to make public such limit orders to the extent they are not immediately executed under prevailing market conditions unless the client consents to Liberum exercising its discretion as to whether to make such limit orders public.

Transaction Reporting

FCA SUP 17 (Transaction Reporting) requires firms entering into reportable transactions to file transaction reports containing mandatory details for those transactions by the end of the following business day. This is to enable the FCA to conduct its regulatory functions, including market/firm supervision and monitoring for market abuse.

In practice, Liberum transaction reports via Unavista.

The FCA publishes regularly updated guidance in its Transaction Reporting Users Pack, and expects firms to routinely test the quality of their reporting. To that end, it provides functionality whereby firms can request submission samples from the FCA.

The Operations Department is responsible for ensuring that Liberum meets this requirement and carrying out routine monitoring in the first instance. The Compliance Department may also carry out reviews and monitoring based on the output of the Operations Department’s findings.

Monitoring and Review

Liberum has access via a third party provider and are able to provide, on request, TCA that provides statistics of overall trading performance for a set of client orders against industry standard benchmarks and some other measures of analysis specific to the third party provider.

This analysis can be performed against all orders for a particular client, a specific day, a specific stock or those executed by a particular broker enabling in-depth analysis of execution performance.

With this TCA information we are able to regularly monitor our order execution arrangements, as well as the quality of our execution and that of third parties to whom we have passed orders. Such reviews will help us to identify and implement changes to our Execution Policy and execution arrangements as necessary. It should be noted 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.

In addition we maintain an audit trail for all telephone and electronically executed orders which will also assist us in ascertaining whether the best possible results have been achieved.

Clients will be advised of any material changes to our policy. Changes to the execution policy will be updated on Liberum's website at: www.liberum.com/MiFID2-documentation.

Reporting

Liberum will make available via its website the top five execution venues it uses for each class of financial instrument traded, which will additionally provide information on the volume and number of orders executed on each execution venue.

Consent

A copy of the Policy will be provided to each client along with our Terms of Business, and therefore forms part of the Agreement. The receipt of the Terms of Business creates a legally binding agreement between us and our clients and which we additionally deem as being consent to the Policy.