

# King & Shaxson Ethical Investing

## Order execution policy for portfolio management 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 Ethical Investing (‘KSEI’ or ‘we’) is required by these rules to take all sufficient steps to obtain the best possible results for its clients when placing orders with other entities that result from decisions by KSEI to deal in financial instruments on behalf of its clients 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 placing 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. Execution factors and criteria

#### General

The execution factors that we shall take into account in determining the manner in which your order will be executed are:<sup>4</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 the 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 the 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>5</sup>

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

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

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

<sup>4</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>5</sup> COBS 11.2A11G, COBS 11.2A.25(3)(a), Article 66(3)(a) MiFID Org

We shall further determine the relative importance of each of the execution factors by taking into account the following criteria:<sup>6</sup>

- (i) the characteristics of the order;
- (ii) the characteristics of the financial instrument that is the subject of that order;
- (iii) the characteristics of the execution venues to which that order can be directed.

### **3. Execution venues selected and used**

Given (i) KSEI's focus on portfolio management rather than trade execution and (ii) the relatively small size of KSEI's order execution business, we route our client orders to one of the following execution venues:<sup>7</sup>

For equity trades:

- Pershing Securities Limited – RSP service;
- Pershing Securities Limited – dealer desk; and
- LBBW London Branch.

For fixed income and debt trades:

- King & Shaxson Limited.

Each execution venue undertakes to provide us with best execution.<sup>8</sup> These venues 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.<sup>9</sup>

### **4. General methodology used in assessing which execution venue to use<sup>10</sup>**

The RSP (Retail Service Provider) service is a London Stock Exchange service provided to brokers (such as Pershing) whereby a panel of LSE market makers called RSPs offer firm prices in "retail" (relatively small) sized volumes. The broker will request a price in the desired size from the RSP panel and will generally deal at the best price offered. Via Pershing we can see at any time what the RSP best price is and therefore be confident that we are dealing at the best price available from a spread of reputable equity market makers. For the more frequently and heavily traded shares and in retail size the RSP process is usually the best method to obtain the best price.

For shares which are less frequently or heavily traded or where the desired size is greater than the RSP size it may be the case that Pershing's dealing desk or LBBW's dealing desk can obtain a better price or execute full size by calling market makers and other liquidity providers direct. Particularly

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<sup>6</sup> Articles 65(4) & 64(1) MiFID Org

<sup>7</sup> COBS 11.2A.34, Article 65(5)

<sup>8</sup> COBS 11.2A.34, Article 65(5) (last sentence)

<sup>9</sup> COBS 11.2A.21

<sup>10</sup> Ibid, COBS 11.2A.26(1) & (2), COBS 11.2A.34(4)

where we have taken the decision to immediately reduce or fully exit a portfolio position, immediate and/or full size execution may take precedence over price.

On a case by case basis we will determine which route is the more likely to achieve the best outcome for clients.

Fixed income and debt instruments comprise a relatively small part of the portfolios we manage and are traded only occasionally. For these instruments it makes sense to use the Institutional Sales desk of our sister company King & Shaxson Limited which is a bond and debt specialist.

## 5. Costs of execution

The costs of execution are covered by the tiered dealing charges you pay. These are fixed and you will not pay higher or additional charges if we choose to use an execution venue which is more expensive than another.<sup>11</sup> In theory, a conflict of interest arises where we could execute your order on one venue for lower cost (but at a slightly worse price) versus another venue for higher cost (but at a better price). Two factors strongly counter this possibility:

- (i) we are chiefly remunerated through our annual management charge which, beyond the minimum flat fee, is dependent on portfolio valuation; and
- (ii) our ability to win and retain funds is ultimately driven by long-term performance.

Overpaying or underselling to save dealing costs in the short term is likely to undermine both these aims.

## 6. Payment for order flow

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.

## 7. Dealing outside a trading venue<sup>12</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 a better outcome for clients 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:

- (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);

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<sup>11</sup> Article 64(3), MiFID Org

<sup>12</sup> COBS 11.2A.24

- (iii) Increased settlement risk (e.g. where the instrument is not settled through an international settlement system such as Euroclear or Crest).

**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>13</sup>**

## 8. Monitoring of execution venues

Not all execution venues which could provide a price for the financial instrument are used.<sup>14</sup> 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.

## 9. 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.<sup>15</sup>

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.

## 10. Consent

I acknowledge receipt and understanding of the KSEI Execution Policy and consent to KSEI executing my orders outside a trading venue such as a Regulated Market or Multilateral Trading Facility.

<b>Name:</b>	
<b>Signature:</b>	
<b>Date:</b>	

<sup>13</sup> COBS 11.2A.24(2)

<sup>14</sup> COBS 11.2A.28G

<sup>15</sup> COBS 11.2A.31, COBS 11.2A.31