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Peel Hunt Limited (the "Company")

## ORDER EXECUTION & HANDLING POLICY

2021

## 1. INTRODUCTION

As a Financial Conduct Authority ("FCA") authorised firm which executes orders on behalf of its clients, Peel Hunt LLP ("Peel Hunt", "us", "we") is required to take all sufficient steps to obtain the best possible result for its clients taking into account a range of execution factors set out more fully below by client type.

## 2. BACKGROUND

This Order Execution Policy ("Policy" or "PH Order Execution Policy") sets out the arrangements that Peel Hunt has put in place to meet its best order execution obligation ("Best Execution Obligation") to its clients under the FCA's rules on best execution, which are contained in Chapter 11.2A of the FCA's Conduct of Business Sourcebook ("COBS") which implements Markets in Financial Instruments Directive ("MiFID II"), as well as our order allocation policy.

This Policy is owned by the Execution and Trading department ("E&T") within Peel Hunt. E&T are responsible for the annual review of this Policy to determine whether the arrangements in place remain appropriate and fit for purpose and to propose this policy for review and approval by the relevant Committee.

### THIS POLICY DESCRIBES:

- (a) The best execution obligation and application;
- (b) The best execution obligation to Retail Clients;
- (c) The best execution obligation to Professional Clients;
- (d) Our approach to Eligible Counterparties;
- (e) Specific Instructions, Execution/Conditional Venues and Counterparties;
- (f) Where the best execution obligation is not due;
- (g) The monitoring of best execution;
- (h) Payment for order flows.
- (i) Reporting and
- (j) Order Allocation

## 3. THE BEST EXECUTION OBLIGATION AND APPLICATION

### 3.1. The Best Execution Obligation

The products that are within scope of best execution rules are "financial instruments", as defined by Markets in Financial Instruments Directive ("MiFID"). This includes securities, such as shares, bonds, units in funds and structured products, as well as financial contracts, such as derivatives, whether publicly listed or not (i.e. all "financial instruments" as defined by MiFID in Annex I Section C "Financial Instrument").

The Best Execution Obligation applies to ALL financial instruments within MiFID whether traded on or off exchange.

The different circumstances associated with the execution of orders in different types of clients and financial instruments will be taken into account when meeting best execution obligations.

The Best Execution Obligation applies in respect to all order by Retail Clients. As set out below, we also owe a regulatory duty of Best Execution Obligation to Professional Clients where the client is legitimately

relying on us when executing transactions. We generally do not owe the Best Execution Obligation to Eligible Counterparties although we may agree to provide best execution in certain circumstances.

### 3.2. Application of Best Execution to Peel Hunt's Business

Where Peel Hunt carries out transactions for clients in relation to an in scope instrument it assesses the relative importance of the order execution factors (the "Execution Factors") against the following criteria:

- a) The characteristics of our clients (as set out above and below) i.e. whether they are professional or retail;
- b) The characteristics of the client order (including, the size and nature of the order);
- c) The characteristics of the financial instruments that are the subject of that order; and
- d) The characteristics of the execution venues to which that order can be directed.

Not all of these criteria will be relevant in each case and will be assessed against the context of the client and service provided.

## 4. BEST EXECUTION OBLIGATION TO RETAIL CLIENTS

It is assumed that, unless proven otherwise, a Retail Client legitimately relies upon Peel Hunt to protect its interests in relation to pricing and other parameters of the transaction and therefore best execution will apply, even in circumstances where Peel Hunt trades as principal with the client on the basis of a quote. We are applying best execution to all trades on behalf of Retail Clients.

In providing best execution Peel Hunt is required to take into account certain execution factors. Where Peel Hunt executes an order on behalf of a Retail Client, the best possible result is determined in terms of the total consideration representing the price of the financial instrument and the costs associated with the execution, which must include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. Any particular difficulty in carrying out the Retail Clients order will be relayed to them in a timely manner. Taking into account the above, Peel Hunt broadly attributes HIGH importance to execution factors:

- a) Price  
Peel Hunt considers the price of an instrument to be of high importance when dealing for a Retail Client. The price for a given instrument is based on a number of factors. Additionally, the price quoted on a trading venue may not be the price ultimately secured because of other factors such as order size and speed of execution. Where Peel Hunt carries out orders in instruments traded on a trading venue the price is in reference to this quoted price whether undertaken on venue or Over-the-Counter ("OTC"). Peel Hunt will therefore seek to ensure that the price quoted to a client takes into account and is referred to the price that appears publicly on a regulated market or other trading venue and that the trading venue price is aligned with that of other execution venues (see execution venue selection section below). This does not mean that the price will mirror the trading venue price, as Peel Hunt will include within the price factors such as its spread.
- b) Costs  
In most circumstances a fixed commission is applied and no other charges or commissions are payable by clients.
- c) Speed  
Whether or not the principal exposure in the market is hedged, the speed at which the trade is executed whilst also being mindful of indirect costs of speedy execution is important.
- d) Likelihood of execution and settlement

The best execution obligation to Professional Clients (see section 5 below) will also be considered for Retail Clients. These will only be given precedence over the immediate price and cost consideration where these are instrumental in delivering the best possible result in terms of the total consideration to the client or the client has given Peel Hunt specific instructions in relation to an order (see section 6.1 below).

## 5. BEST EXECUTION OBLIGATION TO PROFESSIONAL CLIENTS

When dealing with professional clients, we owe best execution obligations where the client is legitimately relying on us in relation to the execution of the transaction. We deal on our own account in relation to transactions and are therefore the counterparty rather than the client's agent in executing the order. However, order execution, by Peel Hunt, may still be carried out on "behalf of the client" and, whether a best execution obligation is owed depends on whether the client legitimately relies on Peel Hunt in relation to the pricing.

The following transactions will always be considered, by Peel Hunt, to be carried out on behalf of a client:

- a) Where we take an order and place it at a venue for execution on behalf of the client; and
- b) Executing against our own principal position, where we make decisions as to how the order is executed.

However there may be marginal cases and the key conclusion is whether we are acting "on behalf of" our client. In these circumstances we will consider the four fold test set out by the European Commission:

- a) Whether we or the client initiates transactions  
Where the client initiates the transaction, this suggests that it is less likely that the client will be placing reliance on us;
- b) Shop around  
Where the market practice suggests that the client takes responsibility for the pricing and other elements of the transaction and the market practice is to obtain quotes from various sources, it is less likely that the client will be placing reliance on us;
- c) Relative levels of transparency within a market  
If we have ready access to prices in the market/venues in which we operate, whereas the client does not, it is more likely that the client will be placing reliance on us, whereas if our access to pricing transparency is broadly equivalent, it is less likely that the client will be placing reliance on us; and
- d) Information provided by us and the terms of our agreements with the client  
Where our arrangements and agreements with the client (such as our terms of business and this policy) state that we will not provide best execution, it is less likely that the client will be placing reliance on us.

In order to achieve best execution when executing an order on behalf of a Professional Client, we take into account the following factors (the "Execution Factors"):

(a) Price.

For most liquid instruments, market price will be the overriding factor in attaining best execution. Other Execution Factors (as described below) will be taken into account where specified. In particular, for certain instruments such as some unit trusts there will only be one market price and one execution venue.

(b) Transaction costs and risks relevant to the execution.

We will take transactions costs into account when achieving best execution. For example, charges such as exchange fees or settlement and custody costs.

(c) Speed of execution.

We will take into account the need for speed of execution in relation to some types of transaction. This may be the case in relation to a client wishing to execute a stock in a liquid instrument in a fast moving market.

(d) Likelihood of execution and settlement.

In some instances this will be the primary factor to be considered. For instance, where the instrument is illiquid or the size of the order is large. In these circumstances this may mean that this factor is given precedence over price, where this will in our reasonable judgement give a better overall result for the client;

(e) Size and nature of the order.

The best market price may not be available in the order size required by Peel Hunt's client. We will use our reasonable judgement in securing the best execution given a particular size of order, through taking into account terms provided by different execution venues.

(f) Likely market impact (i.e. if the order is passive, aggressive or directed).

We will take into account, using our reasonable judgement, the likely market impact and the cost in relation to any market impact in relation to executing the order. It may be the case therefore that orders are executed over multiple time periods in order to achieve best execution rather than in a single execution;

(g) Nature of the market for the financial instrument; and

(h) Any other consideration deemed relevant to the execution of an order.

In order to determine the relative importance of the Execution Factors, we will take into account the factors set out at section 4 above.

Although the above will typically be the priority order we assign to an order, by a Professional Client, this may vary depending on the factors set out below. Specifically, in certain circumstances, we may determine that other execution factors are more important than price in obtaining the best possible result.

Generally, we will regard price as the most significant factor in the execution of a client's order. However, there may be circumstances where other Execution Factors should be prioritised over price. For example, in the context of an illiquid instrument or a large in scale order (such as a block) the likelihood of execution may become the primary execution factor. In these circumstances, we will determine the relative importance of the execution factors by following our commercial judgment and experience in light of market information available.

In taking all sufficient steps, we will use our judgment and experience in light of available market information to achieve the best balance across a range of sometimes conflicting factors. This does not mean achieving the best price for every client order, but the best possible result that can reasonably be expected given variable market conditions. In determining the "price" we will take into account a number of considerations, including: -

- Price trading on a regulated market/other venues
- Liquidity,
- Risks incurred by us from entering into transactions
- Hedging our risk profile.

Peel Hunt shall not structure or charge internal commissions in order to discriminate unfairly between execution venues and, or brokers.

## SPECIFIC INSTRUCTIONS, EXECUTION VENUES & COUNTERPARTIES

### 6.1. Specific Instructions

Where we receive specific instructions from a client in relation to any aspect of a transaction (for example, where the client instructs us to execute the order on a particular venue, at a particular time or at a particular price), we will execute the transaction in accordance with such instructions (unless we decline to act) and, by doing so, will satisfy our obligation to provide best execution in relation to that aspect of the order.

These elements do not release us from our obligation to provide best execution in relation to those aspects of the order where the client has not provided specific instructions, such as the venue of execution or the timing of the execution, where we retain some discretion over those aspects.

Any specific instructions from a client may prevent us from taking the steps that have been designed and implemented in the PH Order Execution Policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instruments.

As noted above we will take the clients "specific instructions" into account when achieving best execution, in relation to the order types this means the following:

(a) **Limit price:** in relation to a limit price, we shall only fill the client's order when we perceive that the particular level has been reached (unless we agree to a different formulation for determining when the price level has been triggered). If we decide to fill the client's order by going into the market (whether on a regulated market, MTF, OTF or OTC), we will only fill the client's order once the price and quantity is available, fully or partially.

(b) **Market order:** we shall endeavour to fill that order as soon as reasonably practicable after the order is accepted and in accordance with best execution obligations.

(c) **At best order:** we shall, unless otherwise agreed with the client, endeavour to fill that order as soon as reasonably practicable after the order is accepted and in accordance with best execution obligations at first price level in the market.

### 6.1. Execution Venues and Counterparties

We may execute orders subject to any specific instructions from the client, on one or more of the following venues to enable us to obtain the best possible result on a consistent basis when executing an order on the client's behalf:

- (a) Regulated markets;
- (b) MTFs and OTFs;
- (c) Market makers, Systemic Internalisers and other liquidity providers (including Peel Hunt)
- (d) Third party investment firms and brokers.
- (e) Conditional venues

The factors affecting choice of execution venue are: price; the need for timely execution; market liquidity; the size and nature of the order.

Our choice of venue may be constrained by the fact that there may be only one venue where an order can be executed due to the nature of the client's order or requirements. However, in accordance with our Terms of Business and this Policy, the client has consented to their orders being executed on its behalf outside a regulated market, MTF or OTF and have agreed that they understand the relevant risk such as counterparty risk arising from execution outside a trading venue. Additional information about the consequences of this are available at our website <https://www.peelhunt.com/regulatory>. However, it should be noted that Peel Hunt will generally execute all client order on a trading venue.

Peel Hunt will assess, on a regular basis, whether the execution venues included in this policy provide for the best possible result for the client, or whether changes to the execution arrangements need to be

made. The current list of execution venues on which Peel Hunt places significant reliance in meeting its obligation is available in the Annex to this Policy. The list in the Annex is not exhaustive and we may use other execution venues in order to achieve best execution.

## WHERE THE BEST EXECUTION OBLIGATION IS NOT DUE

We do not owe a duty of best execution to any client classified as an eligible counterparty or where a professional client is not reasonably relying on Peel Hunt to provide best execution (although we have an overriding duty to act honestly, professionally and fairly). However, where a client to whom we do not owe best execution obligation asks us for best execution we may:

- (a) Advise the client that they must rely on their own due diligence;
- (b) Decline to deal; or
- (c) In specific circumstances, where our role and the relationship with the client dictates and where such client has requested that best execution apply in writing to us, we may offer best execution voluntarily.

Peel Hunt may refuse an order in accordance with its Terms of Business and in those circumstances no duty of best execution will be owed.

## MONITORING BEST EXECUTION

Peel Hunt is required to monitor the effectiveness of its order execution arrangements and execution policy in order to identify, and where appropriate, correct any deficiencies. This will include monitoring execution venues and whether they provide the best possible price (including considering, where relevant, information published by execution venues under MiFIDII best execution requirements or any other relevant data). We will also monitor to ensure that the execution strategies employed are appropriate. The monitoring covers trading of all asset classes and focuses on three key execution factors: price, costs and speed although all the best execution factors will be considered. Monitoring is conducted at the following frequencies:

- (a) Real-time;
- (b) T+1 reports reviewed by 1LOD
- (c) Weekly review by Desk Manager
- (d) Monthly review by E&T and Compliance (2LOD).

## REPORTING

Peel Hunt, by use of their on-exchange memberships and use of quotes can therefore provide pre trade transparency at the time of execution. Therefore we do not need to provide data for RTS27 requirements. We will make public both the top five execution venues in terms of trading volumes where client order have been executed or transmitted to in the preceding calendar year and information regarding the quality of the execution of certain financial instruments (this will be published at <https://www.peelhunt.com/legal>).

RTS28 report <https://www.peelhunt.com/legal/RTS+28+Report>

## ORDER ALLOCATION

When we carry out client orders the following order allocation principles apply:

- (a) Orders shall be executed in a prompt, fair and expeditious manner relative to other orders or the trading interest of Peel Hunt;

- (b) Orders executed on behalf of clients shall be promptly and accurately recorded and allocated;
- (c) Otherwise comparable client orders shall be carried out sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise, for the purposes of this subsection orders should not be treated as otherwise comparable if they are received by different media and it would not be practical for them to be treated sequentially;
- (d) Retail Clients should be informed about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty;
- (e) Peel Hunt is responsible for overseeing or arranging the settlement of an executed order, it shall take all the reasonable steps to ensure that any client financial instruments or client funds received in settlement of that execute order are promptly and correctly delivered to the account of the appropriate client;
- (f) Peel Hunt will not misuse information relating to pending client orders, and must take all reasonable steps to prevent the misuse of such information by any of its relevant persons: and
- (g) Peel Hunt will only aggregate a client order with own account orders or with other client orders if:
- 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
  - ii. it is 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; and
  - iii. allocation is carried out in accordance with the following allocation procedure below.

Order are allocated using either the price paid for each investment or at a volume weighted average of the prices of a series of transactions. The reallocation of transaction should be considered as detrimental to a client if, as an effect of that reallocation, unfair precedence is given to Peel Hunt or to any particular client.

In the event of being able to partially fill an aggregated order, allocation will occur on an even split basis, unless allocation becomes uneconomic for a client. Where it is no longer in the client's interest to receive the reduced allocation, we may decide not to allocated to such client, and reallocate the remaining part of the order an even split basis to the remaining clients. Where an order is partially filled the allocation will give priority to clients relative to our own account transactions.

In circumstances where an aggregated order is not completed in one day and the order is retained overnight ("warehousing") to be continued the following business day, the order will be completed within five business days. Note that this warehousing procedure may only occur in respect of Professional Clients, other categories of clients will be reviewed on a case by case basis by the Trading Risk & Control Dept.

## ANNEX

### List of Significant Execution Venues

- Equity and Equity Like Instruments
  - London Stock Exchange
  - Peel Hunt
  - CBOE
  - Turquoise
  - Systemic Internalisers:
    - JP Morgan
    - Bank of America Merrill Lynch
    - ITG
    - Goldman Sachs

- Fixed Income
  - London Stock Exchange
  - Peel Hunt