

# Dealing and best execution policy

## 1 Overview

The purpose of this document is to outline the primary factors that drive our best execution decision making process and our choice of execution entity.

This policy applies to Rathbones Investment Management Limited (RIM) and Rathbones Investment Management International Limited (RIMI), collectively Rathbones.

Rathbones has a regulatory and fiduciary obligation to ensure that its dealing policies are transparent and fair for all clients. Rathbones takes these responsibilities very seriously as part of its commitment to execute transactions effectively and competitively as part of its wider investment management mandates.

RIM's principal business is providing discretionary investment management to retail clients.

RIMI's primary business is the provision of offshore investment management, based in Jersey.

Rathbones does not execute investment orders directly with the market on behalf of clients, but passes the orders to 'execution entities' - usually a broker or retail service provider (RSP) - who will effect execution with the 'execution venue'.

Rathbones' obligations are reflected in 11.2A and 11.2B of the Conduct of Business Sourcebook (COBS) of the Financial Conduct Authority (FCA) as set out in its handbook of rules and guidance.

We have a regulatory obligation to ensure that the instruments we deal in on behalf of clients are in line with the target market assessment for that product. This may mean in some cases we refuse to accept the order. For some instruments where we have not yet completed the target market assessment, there may be a delay in beginning the execution process of a trade until the assessment has been completed.

## 2 Financial instruments covered

All instruments detailed below.

- Equities
- Fixed interest securities
- Unquoted securities
- Warrants
- Units in a collective investment scheme
- Structured products
- Money market instruments
- Derivatives

## 3 Best possible result

An investment manager or order transmitter is required to take all sufficient steps to obtain the best possible result for its clients. To obtain the best possible result Rathbones will:

- take into account certain specified execution factors (see section 5)
- determine the relative importance of such factors by reference to the execution criteria (see section 4).

For retail clients (as defined in the FCA Handbook) the best possible result must be determined by reference to total consideration (i.e. not only direct expenses such as price and the costs of execution, but also other expenses such as execution entity fees and clearing and settlement fees).

Whilst it is not obligatory for firms to include their own costs in this calculation (except where they vary across competing venues for the same product), Rathbones reserves the right to include such costs in its calculations where it is felt that their absence would unduly distort the overall picture.

This policy is based upon the principle that Rathbones will meet its regulatory responsibility to obtain the best possible result for the execution of client orders on a consistent basis. This will be achieved through due diligence and clearly defined procedures and controls.

These procedures and controls are reviewed at least annually, or when there is a material change to the procedures or execution entities, and the outcome of individual deals monitored on a sample basis, to ensure that the best execution policy and procedures remain effective.

### Aggregation of client orders

Rathbones may aggregate client orders. The full policy is included in our Terms of Business.

### Allocation of client orders

In the event of an order not being completed, the executed portion of the trade will be booked across the aggregated clients on a pro rata basis, unless it is uneconomic to do so. The full policy is included in our Terms of Business.

### Handling of client orders - Timely Execution

Please note this should be read in conjunction with the Terms of Business.

Rathbones has an obligation to carry out client orders promptly. For client instructions that are passed to Rathbones verbally or by any other media this applies from the time the order is accepted by Rathbones.

For a Non-Discretionary Service Level, order acceptance is defined as once the client has confirmed to proceed with the advised trade from the Investment Manager.

For Execution Only Service Level, order acceptance is defined as the time at which Rathbones has both received the client instruction and the respective stock is within Rathbones' stock universe. Please note that upon receipt of an instruction, the respective stock may not be present in the Rathbones' stock universe and will require to be set-up (if accepted by Rathbones). Where the respective stock is defined as Complex, the order is not accepted until Rathbones has received a client instruction, the respective stock is within Rathbones' stock universe and an appropriateness assessment has been completed.

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There may be a delay in placing orders in some instruments, such as unit trusts, which generally have a single daily valuation point.

Overseas stocks may be delayed until the next market opening time, depending on when the order is accepted.

## 4 Execution criteria

Rathbones will take into account the following criteria for determining the relative importance of the execution factors.

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

## 5 Execution factors

The best execution factors to be considered are detailed below:

- Price
- Speed – in a volatile market it is generally better to try to execute a trade quickly, whereas in a less liquid market it may be better to trade slower, to limit market impact
- Likelihood of execution and settlement
- Size – as above in relation to speed, the size of an order may influence how an order may be handled
- Nature – if the nature of an order requires that it be handled differently, this may have an impact on how best execution is achieved
- Cost – RIM and RIMI do not normally pass execution costs onto clients, but there are various costs associated with utilising different order executors/venues. The costs include broker commission, exchange fees, and transaction reporting charges
- Any other consideration relevant to the execution of an order
- Rathbones treats all clients as retail clients from a best execution perspective. In the absence of specific instructions from a client, all orders are handled in the same manner, whether from execution-only, discretionary or any other service level

The above factors represent general principles rather than an absolute guide to which factors will always be treated as more or less important than the others. It is not possible to be absolute as the variations between market conditions and the characteristics of the order are almost infinite.

Markets are dynamic environments, and changing market conditions mean that a dealing strategy may change at any point during the life of an order.

### Specific Instructions

Where Rathbones is placing or transmitting an order on the specific instructions of a client (e.g. the client has specified the order venue) it will have satisfied its obligation to act in accordance with the best interest of the client for that execution factor. Rathbones will still

endeavour to meet best execution for the remaining execution factors of the client order in line with this policy.

Specific instructions in relation to the execution of an order may prevent Rathbones from following its best execution policy in relation to such orders in respect of the elements of execution covered by the instructions.

Rathbones, as order transmitter, is not able to provide clients with direct market share price quotations.

## 6 Execution entities

Rathbones does not execute any equity trades direct with the market. As an order transmitter (see section 1) Rathbones will pass trade details onto execution entities who will execute trades with the market.

### Retail Service Providers (RSPs)

The RSPs provide a quote driven electronic trading platform. They compete with each other for order flow and therefore often make tighter prices than those seen on the primary exchange. This competitive market enables Rathbones to choose the best price for clients.

### Direct market access (DMA) and Algorithmic Trading

DMA and Algorithmic Trading is provided by brokers as an electronic method of gaining access to the London Stock Exchange and Recognised Investment Exchanges (RIE) as well as other pools of liquidity. It is through access to a wide variety of execution venues that Rathbones seeks to ensure transactions are executed efficiently and effectively.

Trades executed through this medium attract a small brokerage charge – typically two to ten basis points. These charges are absorbed by RIM and RIMI.

### Third party external brokers

These brokers are obliged to provide a duty of best execution to Rathbones and provide a trading service through their sales trading desks. The quality of execution achieved by external brokers is monitored by Rathbones on an ongoing basis using an independent third party best execution monitoring system.

Brokers are chosen from the approved broker list on a deal by deal basis, using factors such as likelihood of execution the trade at the best possible price, potential to source liquidity in the stock in question, and the costs that may arise as a result of executing the trade. The likelihood of settlement will also be taken into account.

Rathbones has different options when dealing in fixed income securities (bonds). As with equities, Rathbones may transmit orders to a broker to execute trades. Alternatively, Rathbones may choose to execute orders with another counterparty directly via the Bloomberg Multilateral Trading Facility (Bloomberg MTF). The method of execution may vary from trade to trade, but will be based on the execution factors set out in section 5. Rathbones has agreements in place with all approved order executors.

A full list of approved brokers is provided in Appendix A.

# Dealing and best execution policy – continued

## Collective schemes

Orders in respect of unit trusts and other collectives are placed direct with the issuing house. Almost without exception, orders are placed for forward pricing in line with standard industry practice. As there is no secondary market in these securities, placement on this basis represents best execution.

## 7 Order flow and execution strategies

### Liquid UK Equities

The default is to check the best price available on the RSPs. This allows Rathbones to review the factors referred to in section 5 above, such as price, size and likelihood of execution in a timely and cost effective way. The RSPs have an automatic price improvement programme built into their systems. This means that the price will be at or within the 'touch' (the bid /offer spread on the RIE for which the stock is traded) for trades 'within size'. In many cases the price offered may even improve on the bid/offer spread on the primary exchange representing a better price for the client. RSPs do not currently provide a price based on the consolidated price of alternative exchanges or multilateral trading facility coupled with the primary RIE.

Whilst trades are placed electronically with the RSPs and an electronic polling engine is used to obtain the best price from all RSPs who are providing a quote, Rathbones retain final control over the acceptance or rejection of the price.

Rathbones may choose not to utilise the RSPs because they may not meet some or all of the factors referred to in section 5. In these circumstances, Rathbones will pass the order to a third party broker, either electronically or via the sales trading desks as referred to in section 6.

### Overseas Liquid Equities

Rathbones pass these orders to third party brokers, either electronically via DMA or with sales trading desks as above.

### Fixed Interest Securities

Rathbones utilises three execution options for fixed interest securities. Trades can be executed via the Bloomberg MTF or directly with a market making bank (including RSP facilities) or passed to an external broker. Again, the decision as to which avenue to take will be made on a trade by trade basis. Best execution is the driving factor in the decision making process with selection being made on the basis of achieving the best possible outcome for the clients.

### Illiquid securities

When dealing with orders in illiquid securities, specialist brokers on the approved broker list (rather than a RSP) will be engaged to execute orders on behalf of our clients and in these circumstances the likelihood of execution is the primary factor when selecting a broker.

### Unquoted Securities

Unquoted securities are stocks not listed on a RIE and are dealt with on a case by case basis.

As there is only limited price data available, and limited choice of execution entity, likelihood of execution and counterparty risk are the main factors used to determine the steps taken. In the event that a client has instructed Rathbones to buy or sell an unquoted security, because of

the nature of it being traded outside a regulated trading venue, the client may have to accept the possible consequences of the request, including counterparty risk. This may also involve passing on additional dealing charges in some circumstances.

### Units in collective investment schemes

As there is no secondary market in these securities, trades are placed directly with the provider. Where relevant, forward pricing will always be sought as opposed to historic pricing in line with the industry standards.

### Structured products

On the creation of a structured product, Rathbones seek pricing from a panel of approved providers and select the best product which meets the criteria set by Rathbones. Once traded, products are reviewed on a periodic basis by the Research department within Rathbones to ensure that these continue to meet expectations.

Structured products are traded directly with product providers or issuers. As such, a liquid secondary market does not exist, however, on occasion, products may be purchased or redeemed at the discretion of the product provider. In the case of purchases, Rathbones compare similar products on a reasonable endeavours basis. It is unlikely that two existing products from different providers will be exactly identical due to differences in issuing bank financing costs and counterparty risk.

### Money market instruments

Rathbones may deal in money market instruments on behalf of clients, such as UK and US Treasury Bills. For the purposes of obtaining best execution, Treasury Bills are traded in the same manner as the fixed interest securities referred to above.

### Derivatives

Rathbones does not invest directly in derivative instruments on behalf of clients apart from warrants. However, investment vehicles such as hedge funds and exchange traded funds may utilise derivatives as part of their investment strategy. Rathbones may occasionally at our discretion, hedge a currency at the request of a client. The order would be handled by the currency department as part of the firm's normal banking business.

## 8 Review process

Rathbones formally reviews its best execution policy at least annually. This review will be supplemented by ad hoc reviews that may arise from time to time throughout the period as a result of economic, regulatory and/or operational changes.

The quality of execution at trade level is monitored regularly in the first instance by the central dealing desk (operating as a 'first line of defence') using an independent third party best execution monitoring system. This is reviewed and challenged by the Compliance department operating as a 'second line of defence'. Each quarter, the findings from both the central dealing desk and compliance will be presented to and reviewed by the Dealing and Execution Management Committee (the Committee).

There is also a wider external broker review process undertaken through the Committee. The Committee reviews all aspects of Rathbones' best execution policy (as the 'first line of defence'). This review is then counter reviewed by Compliance (as the 'second line of defence').

## Dealing and best execution policy - continued

## Appendix A

## List of approved external brokers

Equity Brokers		
Atlantic Equities Barclays Capital Berenberg Bernstein Autonomous LLP BMO Capital Markets Canaccord Genuity Citigroup Global Markets Credit Suisse Securities Deutsche Bank Evercore ISI Exane SA Finncap Ltd Flowtraders BV Goldman Sachs Goodbody Stockbrokers	Hobart Capital Investec J & E Davy Jane Street Financial Ltd Janney Montgomery Scott Jefferies International Ltd J P Morgan Cazenove Kepler Chevreux Liberum Capital Ltd Marex Financial Ltd Mirabaud & CIE SA Morgan Stanley Numis Securities Ltd Singer Capital Markets Panmure Gordon Ltd Peel Hunt	Piper Sandler Ltd Raymond James RBC Capital Markets Redburn Partners Ltd RW Baird Shore Capital Stockbrokers Ltd SG Securities Ltd Stifel Nicolaus Ltd UBS Uob Kay Hian Limited Wells Fargo Winterflood Securities Ltd Zeus Capital
Fixed Income (Bond) Brokers		
Bank of America Merrill Lynch Barclays Capital Bridport Citigroup Deutsche Bank Guy Butler Securities	HSBC Jane Street Financial Ltd Lloyds Bank Capital Markets Morgan Stanley Natwest Markets Oppenheimer Peel Hunt	RIA Capital Markets Royal Bank of Canada (RBC) Toronto Dominion UBS Winterflood Securities Ltd
Structured Product Providers		
BNP Paribas Credit Agricole Credit Suisse Securities Ltd	Goldman Sachs HSBC J P Morgan Cazenove	RBC Capital Markets UBS

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**Rathbones**  
 Look forward