



Top 5 Broker & Execution Quality Report for 2019

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Introduction

The purpose of this report is to provide a summary of how Coutts & Co (Coutts) has met its Best Execution requirements in 2019, in accordance with the relevant regulation and its' [Client Order Execution Policy](#) (OEP).

The report provides an overview of the key factors and points which enhanced the order execution process, and of the control and oversight mechanisms in place to ensure the effectiveness of the OEP. The report has been produced in compliance with the Financial Conduct Authority (FCA) Conduct of Business Sourcebook (COBS) rule 11.2.A and the Markets in Financial Instruments Directive (MiFID II) Regulatory Technical Standard 28.

The Coutts Best Execution Review Forum (BERF) has reviewed, acknowledged and ratified this report after rigorous assessment of execution data held internally. The BERF convenes monthly for regular analysis and challenge of client best execution results for all relevant asset classes under the OEP. The BERF approves and monitors brokers used by Coutts and also approves the client order execution policies and the associated best execution parameters and factors. The forum also oversees the on boarding and removal of brokers for each asset class. During this 12 month period we have ceased to use two brokers for Collective Investment Scheme execution (whilst retaining their services in other asset classes) and have removed one Equity broker from our panel entirely.

For the purposes of order execution, Coutts clients are classified as Retail Clients unless otherwise agreed.

Equities – Shares & Depositary receipts – all tick sizes

Price and Liquidity have been identified as execution factors of primary importance. It is on this basis we select brokers to execute client orders. These factors allow us to consider the best route to market by performing pre-trade and post-trade analysis, which includes:

- an assessment of what we believe to be the best outcome for clients in terms of the total consideration of the transaction;
- the liquidity available in the market for the relevant instrument;
- such other factors as may be appropriate, including the ability of a broker to manage complex orders, the speed of execution, the creditworthiness of the broker and the quality of any clearing and settlement facilities.
- We use our commercial judgement and experience in light of market information available and take into account the characteristics of the order when determining additional execution factors of importance.

Applying this methodology resulted in the brokers listed below receiving the reported percentages of trade volume from client orders. Brokers will in general execute orders on a regulated market, multilateral trading facility or organised trading facility; they may also execute over-the-counter or as principal.

Coutts has no close links, conflicts of interest or common ownership with any of our equity brokers. Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts' arrangements with brokers are structured in a way that there is no monetary incentive to favour any particular broker over another. Coutts has agreed with all of its brokers to charge a common brokerage charge for equity products and this is a condition of being on Coutts' Execution Broker list. These charges are benchmarked with the market place for firms of a similar size to Coutts and reviewed annually. This process is supported by externally sourced independent market research. From time to time, Coutts will negotiate bespoke brokerage charges for larger size orders and will take this into account when considering the total consideration.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

The overall performance of all brokers was reviewed in October 2019 as part of a semi-annual broker performance review process. None of the existing broker relationships was deemed to be materially underperforming versus other competitor brokers who are not on our [Execution Broker list](#).

One broker for Equity Instruments was removed from the Execution Broker list in 2019 as this broker resigned as a member of the London Stock Exchange and ceased trading activity to support this asset class. There was no evidence that this broker was failing to meet our best execution requirements.

To fulfil certain client orders – for example large size orders – particular attention may need to be paid to liquidity, i.e. the ability to execute the order in a way that limits as far as possible any negative impact on the total consideration. Where this approach has been applied our monitoring has concluded that all results have met our best execution requirements.

Coutts uses a Transaction Cost Analysis Tool (TCAT) to monitor and evaluate the best execution results for all client orders. The use of TCAT allows us to monitor and benchmark each single client order from placement to execution. TCAT provides results that allow us to categorise the results and identify executions that did not achieve prices inside set parameters. Executions outside these parameters are reviewed and highlighted in BERF by an operational team independent of the execution team with

identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

TCAT is provided by a Data Reporting Service Provider (consolidated market price, volume and liquidity information) for the pre- and post-trade execution performance analysis for all exchange traded instruments.

Equities - Shares and Depositary Receipts: Tick size liquidity bands 1 & 2					
Notification if <1 average trade per business day in the previous year - NO					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Canaccord Genuity ZBU7V5NIMN4ILRFC23	28.55%	12.75%	N/a	N/a	0.00%
Winterflood Securities 8BRUP6V1DX3PIG2R0745	21.84%	44.62%	N/a	N/a	0.00%
Numis Securities Ltd. 213800P3F4RT97WDSX47	16.11%	5.26%	N/a	N/a	0.00%
Oppenheimer 213800CH6IZ9J98PIS59	14.44%	15.66%	N/a	N/a	0.00%
CLSA UK 213800VZMAGVIU2IJA72	8.74%	1.30%	N/a	N/a	0.00%

Equities - Shares and Depositary Receipts: Tick size liquidity bands 3 & 4					
Notification if <1 average trade per business day in the previous year - NO					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Winterflood Securities 8BRUP6V1DX3PIG2R0745	26.40%	45.88%	N/a	N/a	0.00%
Numis Securities Ltd. 213800P3F4RT97WDSX47	17.78%	5.96%	N/a	N/a	0.00%
JP Morgan K6Q0W1PS1L1O4IQL9C32	15.27%	4.24%	N/a	N/a	0.00%
Oppenheimer 213800CH6IZ9J98PIS59	11.37%	1.55%	N/a	N/a	0.00%
Barclays Capital Securities Ltd. K9WDOH4D2PYBSLSOB484	9.21%	1.82%	N/a	N/a	0.00%

Equities - Shares and Depositary Receipts: Tick size liquidity bands 5 & 6					
Notification if <1 average trade per business day in the previous year - NO					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Winterflood Securities 8BRUP6V1DX3PIG2R0745	22.93%	19.80%	N/a	N/a	0.00%
Oppenheimer 213800CH6IZ9J98PIS59	17.53%	7.24%	N/a	N/a	0.00%
Canaccord Genuity ZBU7V5NIMN4ILRFC23	16.67%	5.89%	N/a	N/a	0.00%
Merrill Lynch Intl. GGDZP1UYGU9STUHRDP48	16.57%	1.73%	N/a	N/a	0.00%
UBS AG 549300WOIFUSNYH0FL22	9.25%	58.63%	N/a	N/a	0.00%

The tables above illustrate how our equities trading are split into the three categories prescribed under MiFID.

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as we do not provide or remove liquidity directly from the market.

Exchange Traded Products

Price and Liquidity have been identified as execution factors of primary importance. It is on this basis we select brokers to execute client orders. These factors allow us to consider the best route to market by performing pre-trade and post-trade analysis, which includes:

- an assessment of what we believe to be the best outcome for clients in terms of the total consideration of the transaction;
- the liquidity available in the market for the relevant instrument;
- such other factors as may be appropriate, including the ability of a broker to manage complex orders, the speed of execution, the creditworthiness of the broker and the quality of any clearing and settlement facilities.
- We use our commercial judgement and experience in light of market information available and take into account the characteristics of the order when determining additional execution factors of importance.

Applying this methodology resulted in the brokers listed below receiving the reported percentages of trade volume from client orders. Brokers will in general execute orders on a regulated market, multilateral trading facility or organised trading facility; they may also execute over-the-counter or as principal.

Coutts has no close links, conflicts of interest or common ownership with any of our exchange traded product brokers. Coutts is a registered participant of the Bloomberg Multilateral Trading Facility (MTF). Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts' arrangements with brokers are structured in a way that there is no monetary incentive to favour any particular broker over another. Coutts has agreed with all of its brokers to charge a common brokerage charge for exchange traded products and this is a condition of being on Coutts' Execution Broker list. These charges are benchmarked with the market place for firms of a similar size to Coutts and reviewed annually. This process is supported by externally sourced independent market research. From time to time, Coutts will negotiate bespoke brokerage charges for larger size orders and will take this into account when considering the total consideration.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

The overall performance of all brokers was reviewed in October 2019 as part of a semi-annual broker performance review process. None of the existing broker relationships was deemed to be materially underperforming versus other competitor brokers who are not on our [Execution Broker list](#).

To fulfil certain client orders – for example large size orders – particular attention may need to be paid to liquidity, i.e. the ability to execute the order in a way that limits as far as possible any negative impact on the total consideration. Where this approach has been applied our monitoring has concluded that all results have met our best execution requirements.

Coutts uses a Transaction Cost Analysis Tool (TCAT) to monitor and evaluate the best execution results for all client orders. The use of TCAT allows us to monitor and benchmark each single client order from placement to execution. TCAT provides results that allow us to categorise the results and identify executions that did not achieve prices inside set parameters. Executions outside these timeframes are reviewed and highlighted in BERF by an operational team independent of the execution team with identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

TCAT is provided by a Data Reporting Service Provider (consolidated market price, volume and liquidity information) for the pre- and post-trade execution performance analysis for all exchange traded instruments.

Exchange Traded Products					
Notification if <1 average trade per business day in the previous year - NO					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Flow Traders B.V 549300CLJI9XDH12XV51	46.25%	1.09%	N/a	N/a	0.00%
Jane Street Financial 549300ZHEHX8M31RP142	18.92%	0.56%	N/a	N/a	0.00%
Societe Generale S.A. O2RNE8IBXP4R0TD8PU41	9.94%	40.97%	N/a	N/a	0.00%
Credit Suisse Securities (Europe) DL6FFRRLF74S01HE2M14	8.23%	2.75%	N/a	N/a	0.00%
Barclays Capital Securities Ltd. K9WDOH4D2PYBSLSOB484	6.28%	18.77%	N/a	N/a	0.00%

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as we do not provide or remove liquidity directly from the market.

Debt Instruments

Price and Liquidity have been identified as execution factors of primary importance. It is on this basis we select brokers to execute client orders. These factors allow us to consider the best route to market by performing pre-trade and post-trade analysis, which includes:

- an assessment of what we believe to be the best outcome for clients in terms of the total consideration of the transaction;
- the liquidity available in the market for the relevant instrument;
- such other factors as may be appropriate, including the ability of a broker to manage complex orders, the speed of execution, the creditworthiness of the broker and the quality of any clearing and settlement facilities.
- We use our commercial judgement and experience in light of market information available and take into account the characteristics of the order when determining additional execution factors of importance.

Applying this methodology resulted in the brokers listed below receiving the reported percentages of trade volume and client orders. Brokers will in general execute orders over-the-counter as principal, however may also execute on an organised trading facility or a regulated market.

Coutts executes client orders with NatWest Markets Plc as one of the approved brokers on our [Execution Broker list](#). Coutts and NatWest Markets Plc are firms ultimately owned by the Royal Bank of Scotland Group plc and therefore have a close link and common ownership. The selection of the executing broker for each trade is at arm's length, and no preference is given to NatWest Markets Plc.

Coutts has no other close links, conflicts of interest or common ownership with any other of our fixed income brokers. Coutts is a registered participant of the Bloomberg Multilateral Trading Facility (MTF). Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts' arrangements with brokers are structured in a way that there is no monetary incentive to favour any particular broker over another.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

None of the existing broker relationships was deemed to be materially underperforming versus other competitor brokers who are not on our [Execution Broker list](#).

To fulfil certain client orders – for example large size orders – particular attention may need to be paid to liquidity, i.e. the ability to execute the order in a way that limits as far as possible any negative impact on the total consideration. Where this approach has been applied our monitoring has concluded that all results have met our best execution requirements.

Coutts uses a Transaction Cost Analysis Tool (TCAT) to monitor and evaluate the best execution results for all client orders. The use of TCAT allows us to monitor and benchmark the execution of each single client order. TCAT provides results that allow us to categorise the results and identify executions that did not achieve prices inside set parameters. Executions outside these timeframes are reviewed and highlighted in BERF by an operational team independent of the execution team with identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

TCAT is provided by a Data Reporting Service Provider (consolidated market price, volume and liquidity information) for the pre- and post-trade execution performance analysis for all over-the-counter (OTC) debt instruments.

Debt Instruments: Bonds					
Notification if <1 average trade per business day in the previous year - NO					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
RBC Europe TXDSU46SXBWIGJ8G8E98	46.50%	4.55%	N/a	N/a	0.00%
Barclays Capital Securities Ltd. K9WDOH4D2PYBSLSOB484	12.29%	21.27%	N/a	N/a	0.00%
JP Morgan K6Q0W1PS1L1O4QL9C32	10.49%	19.74%	N/a	N/a	0.00%
NatWest Markets RR3QWICWWIPCS8A4S074	7.48%	21.01%	N/a	N/a	0.00%
Morgan Stanley 4PQUHN3JPFGEFNF3BB653	7.38%	8.37%	N/a	N/a	0.00%

Debt Instruments: Money Market Instruments					
Notification if <1 average trade per business day in the previous year - YES					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Morgan Stanley 4PQUHN3JPFGEFNF3BB653	42.09%	17.24%	N/a	N/a	0.00%
JP Morgan K6Q0W1PS1L1O4QL9C32	33.05%	34.48%	N/a	N/a	0.00%
Toronto Dominion Securities PT3QB789TSUIDF371261	17.93%	20.69%	N/a	N/a	0.00%
Barclays Capital Securities Ltd. K9WDOH4D2PYBSLSOB484	2.89%	1.72%	N/a	N/a	0.00%
RBC Europe TXDSU46SXBWIGJ8G8E98	2.40%	6.90%	N/a	N/a	0.00%

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as there is no relevant market to provide or remove liquidity from.

Equity Derivatives – Options and Futures admitted to trading on a trading venue

Timely execution and Liquidity, and, subject to these, the fairness of price have been identified as execution factors of importance. We use our commercial judgement and experience in light of market information available and take into account the characteristics of the order when determining additional execution factors of importance.

Coutts has selected Morgan Stanley as the single broker to offer equity derivatives traded on exchange in a cost effective way. Morgan Stanley executes equity derivative orders as principal and Coutts executes client orders as agent.

In order to ensure that we consistently achieve best execution we have established a two part approach. Morgan Stanley has classified Coutts as a “Professional Client” under MiFID and thereby owes Coutts a duty of best execution on all equity derivative transactions. This is our primary control. To supplement this, we monitor all orders by benchmarking timeliness in our own best execution monitoring process.

Coutts has no close links, conflicts of interest or common ownership with Morgan Stanley as broker for equity derivatives. Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

Morgan Stanley remained our sole broker for equities derivatives traded on exchange throughout 2019. The overall performance of all brokers was reviewed in October 2019 as part of a semi-annual broker performance review process. Morgan Stanley was deemed to be performing materially in line with other competitor brokers who are not on our [Execution Broker list](#).

To fulfil certain client orders – for example large size orders – particular attention may need to be paid to liquidity, i.e. the ability to execute the order in a way that limits as far as possible any negative impact on the total consideration. Where this approach has been applied our monitoring has concluded that all results have met our best execution requirements.

Coutts uses order management, market data and trade capture data to monitor and evaluate the best execution results for all client equity derivative orders. This approach allows us to benchmark the timely execution outcome for client orders. This approach will highlight executions that were not achieving a timely execution expected inside a set timeframe following order capture. Executions outside these parameters are reviewed and highlighted in BERF by an operational team independent of the execution team with identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

Equity Derivatives: Options & Futures admitted to a trading venue					
Notification if <1 average trade per business day in the previous year - YES					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Morgan Stanley 4PQUHN3JPFGFNF3BB653	100.00%	100.00%	N/a	N/a	0.00%

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as we do not provide or remove liquidity directly from the market.

Interest Rate Derivatives: Futures and options admitted to trading on a trading venue

Timely execution and Liquidity, and, subject to these, the fairness of price have been identified as execution factors of importance. We use our commercial judgement and experience in light of market information available and take into account the characteristics of the order when determining additional execution factors of importance.

Coutts has selected Morgan Stanley as the single broker to offer interest rate derivatives traded on exchange in a cost effective way. Morgan Stanley executes interest rate derivative orders as principal and Coutts executes client orders as agent.

In order to ensure that we consistently achieve best execution we have established a two part approach. Morgan Stanley has classified Coutts as a “Professional Client” under MiFID and thereby owes Coutts a duty of best execution on all interest rate derivative transactions. This is our primary control. To supplement this, we monitor all orders by benchmarking timeliness in our own best execution monitoring process.

Coutts has no close links, conflicts of interest or common ownership with Morgan Stanley as sole broker for interest rate derivatives. Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

Morgan Stanley remained our sole broker for interest rate derivatives traded on exchange throughout 2019. The overall performance of all brokers was reviewed in October 2019 as part of a semi-annual broker performance review process. Morgan Stanley was deemed to be performing materially in line with other competitor brokers who are not on our [Execution Broker list](#).

To fulfil certain client orders – for example large size orders – particular attention may need to be paid to liquidity, i.e. the ability to execute the order in a way that limits as far as possible any negative impact on the total consideration. Where this approach has been applied our monitoring has concluded that all results have met our best execution requirements.

Coutts uses order management, market data and trade capture to monitor and evaluate the best execution results for all client interest rate derivative orders. This approach allows us to benchmark the timely execution outcome for client orders. This approach will highlight executions that were not achieving a timely execution expected inside a set timeframe following order capture. Executions outside these parameters are reviewed and highlighted in BERF by an operational team independent of the execution team with identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

Interest Rate Derivatives: Options & Futures admitted to a trading venue					
Notification if <1 average trade per business day in the previous year - YES					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Morgan Stanley 4PQUHN3JPFGENF3BB653	100.00%	100.00%	N/a	N/a	0.00%

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as we do not provide or remove liquidity directly from the market.

Interest Rate Derivatives: Swaps, forwards and other interest rate derivatives

Timely execution and Liquidity, and, subject to these, the fairness of price have been identified as execution factors of importance. We use our commercial judgement and experience in light of market information available and take into account the characteristics of the order when determining additional execution factors of importance.

Coutts has selected NatWest Bank Plc as the single broker to offer interest rate derivatives traded over-the-counter (OTC) in a cost effective way. Coutts executes client orders as principal, simultaneously entering into an equal opposite transaction with NatWest Bank Plc also executing as principal.

NatWest Bank Plc has classified Coutts as an “Eligible Counterparty” (ECP) under MiFID. ECP’s receive the lowest level of protection under MiFID and may not necessarily have the same rights as other client classifications. We monitor all orders by benchmarking timeliness in our own best execution monitoring process and we evaluate the fairness of price against available market data using our commercial judgement at point of execution.

Coutts and NatWest Bank Plc are firms ultimately owned by The Royal Bank of Scotland Group plc; therefore have a close link and common ownership. Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

The overall performance of all brokers was reviewed in October 2019 as part of a semi-annual broker performance review process. NatWest Bank Plc was deemed to be performing materially in line with other competitor brokers who are not on our [Execution Broker list](#).

Coutts uses order management, market data and trade capture to monitor and evaluate the best execution results for all client interest rate derivative orders. This approach allows us to benchmark the timely execution outcome for client orders. This approach will highlight executions that were not achieving a timely execution expected inside a set timeframe following order capture. Executions outside these timeframes are reviewed and highlighted in BERF by an operational team independent of the execution team with identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

Interest Rate Derivatives: Swaps, Forwards and other Interest Rate Derivatives					
Notification if <1 average trade per business day in the previous year - YES					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
NatWest Bank Plc 213800IBT39XQC4CP71	100.00%	100.00%	N/a	N/a	0.00%

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as we there is no relevant market to provide or remove liquidity from.

Currency Derivatives – Swaps, forwards and other currency derivatives – Coutts acting as agent / or principal

Timely execution and Liquidity, and, subject to these, the fairness of price have been identified as execution factors of importance. We use our commercial judgement and experience in light of market information available and take into account the characteristics of the order when determining additional execution factors of importance.

Coutts executes client orders as either agent or principal. Coutts will execute as agent for specific clients with specific settlement needs and route these client orders in currency derivatives traded over-the-counter (OTC) to Bank of New York Mellon, who execute as principal. This is driven solely by client request. Coutts executes other client orders in currency derivatives traded OTC as principal and will often simultaneously enter into an equal and opposite transaction with NatWest Markets Plc (formerly known as The Royal Bank of Scotland plc) also executing as principal.

This model allows us to offer currency derivatives in a cost effective way. In order to ensure that we consistently achieve best execution we have established a two part approach. Both brokers have classified Coutts as a “Professional Client” under MiFID and thereby owe Coutts a duty of best execution on the majority currency derivative transactions. This is our primary control. To supplement this, we monitor all orders by benchmarking timeliness in our own best execution monitoring process and we evaluate the fairness of price against available market data using our commercial judgement at point of execution.

Coutts and NatWest Markets Plc are firms ultimately owned by The Royal Bank of Scotland Group plc; therefore have a close link and common ownership.

Coutts has no close links, conflicts of interest or common ownership with Bank of New York Mellon. Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

The overall performance of all brokers was reviewed in October 2019 as part of the semi-annual performance review process. None of the existing broker relationships was deemed to be materially underperforming versus other competitor brokers who are not on our [Execution Broker list](#).

Coutts uses order management, market data and trade capture to monitor and evaluate the best execution results for all client currency derivative orders. This approach allows us to benchmark the timely execution outcome for client orders. This approach will highlight executions that were not achieving a timely execution inside a set timeframe following order capture. Executions outside these parameters are reviewed and highlighted in BERF by an operational team independent of the execution team with identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

Currency Derivatives: Swaps, Forwards and other Currency Derivatives - Coutts acting as principal					
Notification if <1 average trade per business day in the previous year - YES					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
NatWest Markets RR3QWICWWIPCS8A4S074	100.00%	100.00%	N/a	N/a	0.00%

Currency Derivatives: Swaps, Forwards and other Currency Derivatives - Coutts acting as agent					
Notification if <1 average trade per business day in the previous year - YES					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Bank of New York Mellon HPFHU0OQ28E4N0NFVK49	100.00%	100.00%	N/a	N/a	0.00%

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as there is no relevant market to provide or remove liquidity from.

Other Instruments – Structured Investment Products

Timely execution and Liquidity, and, subject to these, the fairness of price have been identified as execution factors of importance. We use our commercial judgement and experience in light of market information available and take into account the characteristics of the order when determining additional execution factors of importance.

Coutts will execute Structured Investment Products over-the-counter (OTC) and solely with the selected broker/market-maker of the relevant product. The availability of a secondary market in these products will be subject to the selected broker/market-maker providing liquidity.

Applying this methodology resulted in the brokers listed below receiving the reported percentages of trade volume from client orders.

In order to ensure that we consistently achieve best execution we have established a two part approach. Structured Investment Product brokers have classified Coutts as a “Professional Client” under MiFID and thereby owe Coutts a duty of best execution on all Structured Investment Product transactions. This is our primary control. To supplement this, we monitor all orders by benchmarking timeliness in our own best execution monitoring process.

Coutts executes client orders with NatWest Markets Plc as one of the approved brokers on our [Execution Broker list](#). Coutts and NatWest Markets Plc are firms ultimately owned by the Royal Bank of Scotland Group plc and therefore have a close link and common ownership. The selection of the executing broker for each trade is at arm’s length, and no preference is given to NatWest Markets Plc.

Coutts has no other close links, conflicts of interest or common ownership with any of our Structured Investment Products brokers. Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts’ arrangements with brokers are structured in a way that there is no monetary incentive to favour any particular broker over another.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

Coutts uses order management, market data and trade capture data to monitor and evaluate the best execution results for Structured Investment Products. This approach allows us to benchmark the timely execution outcome for client orders. This approach will highlight executions that were not achieving a timely execution expected inside a set timeframe following order capture. Executions outside these parameters are reviewed and highlighted in BERF by an operational team independent of the execution team with identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

Other Instruments: Structured Product Instruments					
Notification if <1 average trade per business day in the previous year - YES					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Societe Generale S.A O2RNE8IBXP4R0TD8PU41	57.24%	43.91%	N/a	N/a	0.00%
JP Morgan K6Q0W1PS1L1O4QL9C32	40.41%	54.49%	N/a	N/a	0.00%
Goldman Sachs 549300CNTHYQ5LDNJT39	1.15%	0.19%	N/a	N/a	0.00%
Morgan Stanley 4PQUHN3JPFQFN3BB653	0.45%	0.09%	N/a	N/a	0.00%
HSBC MP615ZYZBEU3UXPYFY54	0.24%	0.42%	N/a	N/a	0.00%

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as there is no relevant market to provide or remove liquidity from.

Other Instruments – Collective Investment Schemes

Timely execution and Liquidity have been identified as execution factors of importance. Coutts has no control over other execution factors, such as price and cost, given they are determined by the relevant Collective Investment Scheme (CIS). We use our systems infrastructure and streamlined connectivity with CIS brokers to place client orders, having regard to the timing for completion of any operational or market processes on which the order is dependent and the characteristics of the order when determining additional execution factors of importance.

Coutts has selected a number of fund aggregation platforms to act as single brokers for certain types of Collective Investment Scheme (CIS), such that there will only ever be one predetermined broker per CIS, in order that Coutts can place client orders in the most operationally efficient way prior to the CIS dealing cut off time. CIS brokers execute orders as agent for Coutts with other fund aggregation platforms and / or directly with the transfer agent of the CIS and orders are priced at the next pricing point of the CIS.

Applying this methodology resulted in the brokers listed below receiving the reported percentages of trade volume from client orders.

Coutts has no close links, conflicts of interest or common ownership with any of our exchange traded product brokers. Conflicts of interest are governed by our [Conflicts of Interest Policy](#) and monitored internally, specifically through BERF.

Coutts' arrangements with brokers are structured in a way that there is no monetary incentive to favour any particular broker over another.

Coutts does not receive any rebates or material non-monetary benefits from any broker.

Two brokers for Collective Investment Schemes were removed from the Execution Broker list in 2019 as a result of an initiative to streamline the number of business relationships used for this asset class. There was no evidence that these brokers were failing to meet our best execution requirements.

Coutts uses order management, market data and trade capture data to monitor and evaluate the best execution results for all client CIS orders. This approach allows us to benchmark the timely execution outcome for client orders. This approach will highlight executions that were either not achieving a timely placement inside a set timeframe following order capture and / or were not executed at the pricing point expected given the timeframe of the dealing cut off. Executions outside these parameters are reviewed and highlighted in BERF by an operational team independent of the execution team with identified executions further investigated and remediated if necessary. Further independent oversight and challenge is provided by our Compliance function.

Other Instruments: Collective Investment Schemes					
Notification if <1 average trade per business day in the previous year - NO					
Top five execution brokers ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
SIX SIS AG 549300A3XI3YWROC2J57	29.47%	46.38%	N/a	N/a	0.00%
Euroclear Bank SA/NV 549300OZ46BRLZ8Y6F65	57.02%	31.13%	N/a	N/a	0.00%
BNP Paribas SA R0MUWSFPU8MPRO8K5P83	9.15%	16.56%	N/a	N/a	0.00%
UBS Switzerland AG 549300WOIFUSNYH0FL22	4.25%	5.79%	N/a	N/a	0.00%
Clearstream Banking SA 549300OL514RA0SXJJ44	0.10%	0.14%	N/a	N/a	100.00%

Percentage of passive and aggressive orders – the type of order placed on the market:

- Passive – when liquidity is provided to the market.
- Aggressive – when liquidity is removed from the market.

Coutts will always leave this category blank as there is no relevant market to provide or remove liquidity from.

Glossary

ADR: American Depositary Receipt is a negotiable security that represents securities of a non-US company and is traded in the US financial markets. ADRs are denominated and pay dividends in US dollars and may be traded like regular shares or stock.

Agent: A firm trading for the account and on behalf of a client

Close links: Close Links exist where legal or natural persons are linked by economic participation or ownership (where 20% or more of the whole), or for any controlling relationship (e.g. that which exists between a parent undertaking and a subsidiary).

CIS: Collective Investment Scheme. A fund or collective investment scheme is an investment vehicle typically a unit trust or an OEIC (Open Ended Investment Company) into which investors can make an investment by purchasing a unit share or interest (a unit) in the fund.

Common ownership: A situation in which related companies/subsidiaries are owned by a common organisation or parent company

Data Reporting Service Provider: An organisation providing the service of collecting post-trade transparency data of specific financial instruments from regulated markets, multilateral trading facilities, organised trading facilities, approved reporting mechanisms, approved publication arrangements & consolidated tape providers

Debt Instruments: This includes fixed income instruments, bonds and money market instruments, such as government bonds, corporate bonds, inflation-indexed bonds, short dated bills, high yield bonds, zero-coupon bonds, floating rate notes, convertible bonds (including contingent convertible bonds (CoCo's), asset-backed securities, subordinated bonds, perpetual bonds, municipal bonds, retail bonds.

Derivatives: A synthetic product or contract, such as a swap, option, dual currency investment, forward or future, whose price is dependent upon or derived from one or more underlying assets. These products can be executed 'Over-the-Counter' (OTC) or traded via an Exchange (ETD).

Eligible Counterparty: An Eligible Counterparty is an entity that is authorised or regulated to operate in the financial markets. Eligible Counterparties receive the lowest level of protection under MiFID and may not necessarily have the same rights as other categories of client under the Financial Ombudsman Service and the Financial Services Compensation Scheme.

Equity: Equities represent an ownership interest in a company, and are typically referred to as 'shares'.

Exchange Traded Products: Exchange Traded Products (ETP) is the collective term used when describing Exchange Traded Funds (ETF), Exchange Traded Commodities (ETC) and Exchange Traded Notes (ETN). ETF's are funds that track an index or a basket of assets like an index fund, but trades like a stock on an exchange. These may invest in Derivatives or the physical underlying of the index/basket itself. ETC's are designed to track the performance of a single commodity or a commodities index. These are typically issued by special purpose vehicles which may invest in Derivatives or the physical commodity itself. ETN's are debt securities traded on an exchange, designed to track the performance of a market index. These are typically issued by financial institutions and unsecured, therefore involve Counterparty Risk. ETP's trade intra-day on exchange and will experience price changes as they are bought and sold.

Execution Broker: The entity with or through whom we execute Client Orders, Further details of the arrangements for each type of investment are set out in the relevant section of the report.

Financial Conduct Authority: An independent non-governmental body, given statutory powers by the Financial Services & Markets Act 2000, which regulates the financial services industry in the UK.

MiFID: Means the Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast). The Directive has been effective since 3 January 2019.

MTF: Multilateral Trading Facility. A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in Financial Instruments, in accordance with non-discretionary rules.

OTC: Over-the-Counter. Where buying and selling is not conducted over an Exchange and product features can be tailored to individual clients' needs via a direct link between the buyer and the seller.

OTF: Organised Trading Facility. A multilateral system, which is not a Regulated Market or MTF, and which brings together multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives.

Principal: A firm which is trading on its own account either on its own behalf or on behalf of the client.

Professional Clients: Professional Clients includes entities not classified as Eligible Counterparties, which are authorised or regulated to operate in the financial markets. Professional Clients will receive a lower level of protection than Retail Clients. Professionals may not necessarily have the same rights as Retail Clients under the Financial Ombudsman Service and the Financial Services Compensation Scheme.

Rebates: Monetary return of a portion of a transaction or value of goods within a specified period.

Regulated Market: Multilateral system, other than an MTF, operated and/or managed by a market operator which brings together or facilitates the bringing together of multiple third-party buying and selling in Financial Instruments in a way that results in a contract, in respect of the Financial Instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of MiFID.

Retail Client: The MiFID Retail Client category is the classification that offers the most protection and imposes the most requirements in terms of communication, disclosure and transparency. Retail Clients are clients that do not belong to the Professional Client or Eligible Counterparty categories.

Structured Investment Product: A type of investment specifically designed to meet a defined financial objective by customising a group of Financial Instruments (including Derivatives) with varying terms, pay-outs and risk profiles on a range of underlying assets. These are typically issued by financial institutions as unsecured securities; they therefore involve Counterparty Risk.

TCAT: Transaction Cost Analysis Tool provides pre- and / or post-trade transaction-cost-analysis that allows us to determine context and insight into our trading process and assess transaction costs and trader/broker performance.

Tick Sizes: A tick size is the minimum price movement of a trading instrument. The price movements of different trading instruments vary, with their tick sizes representing the minimum amount they can move up or down on an exchange. A mandatory "tick size" regime has been introduced under MiFID, creating a tick size table with associated liquidity bands/price ranges published by the European Securities and Markets Association. The aim of the tick size regime is to ensure the orderly functioning of the market, and is intended to create a level playing field between the different trading venues.