



## Client Order Execution Policy

## Application

The EU Markets in Financial Instruments Directive ('MiFID') and corresponding rules of the Financial Conduct Authority ('FCA') require that investment firms establish an order execution policy and take all reasonable steps to obtain the best possible result for their clients when executing a Client Order.

This policy is applicable to Retail and Professional clients ('you or your') of Coutts & Co ('we, our') and explains how we execute your orders in Financial Instruments. Such orders may arise where we are:

- providing you with advice or a recommendation to perform a transaction and you have provided an instruction to give effect to the advice or recommendation;
- acting as a discretionary or advisory investment manager; or
- providing an ongoing service to you for executing and arranging deals, having received an instruction from you in relation to that service.

We will take all reasonable steps to achieve the best execution of Client Orders, subject to different factors which are dependent on the financial instrument and the type of market on which the order is executed. Regardless of client classification, for the purpose of best execution we will treat all clients as Retail clients.

Our policy, in providing you with best execution, is, so far as possible to exercise the same standards and operate the same processes across all financial instruments and the different markets on which we execute your orders. However, the diversity in those markets and instruments and the type of orders that you may place with us mean that different factors (see Execution Factors of Importance overleaf) will have to be taken into account when we apply our execution policy in the context of different instruments and different markets.

This policy is effective as at 13 June 2016. The first order that you place with us on or after this date will be construed by us as your consent to this policy.

This policy can be found on the Coutts website: [coutts.com](http://coutts.com)

## Best execution factors

Dependent on whether the transaction is executed on a Regulated Market, multilateral trading facility ('MTF') or over the counter ('OTC'), there are a range of different, potentially conflicting factors which can affect the way in which a transaction is executed, such as:

- the price of the instrument;
- the overall cost of the transaction;
- the need for timely execution;
- the liquidity of the instrument or market (which may make it difficult to execute an order); and
- the size and nature of the order.

We will determine the relative importance of the above-mentioned factors based on our experience and judgment in the light of the market information available to us at the relevant time. The importance of the factors is determined by reference to:

- the characteristics of the client, including categorisation for best execution purposes as a Retail client;

- the characteristics and nature of the order, including whether any specific instructions are given by you;
- the characteristics of the financial instruments that are the subject of that order; and
- the characteristics of the execution venues to which that order can be directed.

We will ordinarily determine the best possible result in terms of total consideration, representing the price of the financial instrument and the costs related to execution. Notwithstanding the above, the following factors will also be taken into account and may be given precedence over the immediate price and cost considerations, but only in so far as they are instrumental in providing the best result for you:

- speed and likelihood of execution and settlement;
- the size and nature of the order; and
- the potential market impact of the above.

## Execution venues

We have set out below information on our order execution arrangements and the criteria, which determine how we select the different venues on which we may execute your order. We have also identified those venues on which we will most regularly seek to execute your orders and which we believe offer the best prospects for providing you with best execution. While we will take all reasonable steps, based on the resources available to us, we cannot guarantee that we will be able to provide best execution for each and every order executed on your behalf. Our commitment to provide you with best execution does not mean that we owe you any fiduciary responsibilities over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us. In selecting the most appropriate venues for the purpose of executing your orders, we will take into full account the factors relevant to the order:

- what we reasonably assess to be your best interests in terms of executing your orders; and
- such other factors as may be appropriate, including the ability of the venue to manage complex orders, the speed of execution, the creditworthiness of the venue and the quality of any related clearing and settlement facilities.

The Execution Venues selected have been listed by asset class and should be reviewed in conjunction with this Policy. The full list of venues is available on the Coutts website: [coutts.com](http://coutts.com)

We have selected our current execution venue list based on a due diligence process which includes regulatory and reputational checks, creditworthiness of the venue and product accessibility. We have assessed the execution venues available to us to identify those that should enable us, on a consistent basis, to obtain the best possible result for executing Client Orders. This list of execution venues is not exhaustive. We are not required to use these venues on every occasion and therefore we reserve the right to use other execution venues. Where we deem appropriate we may add or remove any execution venues from this list. You will be notified separately of any material changes to these venues. You are encouraged to therefore refer to the current list of execution venues from time to time.

### Specific client instructions

Where you give a specific instruction about the execution of an order, the order (or the relevant part or aspect of it) will be executed in accordance with those instructions so far as is possible whilst complying with any applicable laws and regulations, observing any relevant internal policies and only trading with approved counterparties. You should be aware that providing specific instructions might prevent us from taking the steps which we have designed and implemented to obtain the best possible result for the execution of the relevant transaction. However, we will endeavour to ensure that all possible steps are taken to meet the aims of this order execution policy where we are not precluded from doing so by your specific instruction.

### Information on order execution arrangements

*Note: Whilst all factors are considered where possible, the 'Execution Factors of Importance' are the key factors considered for the asset class.*

### Equity Products

We will execute a Client Order by one of the following methods or combination of methods:

- On a Regulated Market;
- On an MTF; or
- Via a third party who will either execute the order on a Regulated Market or MTF as agent on our behalf.

The cost of execution is negotiated and aligned per market to mitigate any conflicts of interest with regard to the choice of execution venues.

Execution Factors of Importance: Price and Liquidity.

### Fixed Income Products

We will execute Fixed Income transactions on an OTC basis and not on a Regulated Market. We will endeavour where possible to obtain competing quotes from our execution venues and deal on the best price.

Execution Factors of Importance: Price and Liquidity.

*Note: With less liquid instruments there might be only one liquidity provider and therefore only one available price.*

### Exchange Traded Futures and Options

We will execute directly with you as Principal and will be your Counterparty to any Exchange Traded Futures or Options transactions. Any reference to 'trading place' or 'exchange' in the trade confirmation relates to the venue of listing of the derivative contract and the place of execution of our own transaction, placed on equal and opposite terms, with a financial institution in order to facilitate our transaction with you.

Execution Factors of Importance: Timely execution and Liquidity.

### OTC Derivatives, including FX Forwards

We will execute directly with you as Principal and will be your Counterparty to any OTC Derivative transaction. For OTC Derivatives other than FX Forwards, in order to facilitate our transaction with you, we will execute our own transaction, placed on equal and opposite terms, with a financial institution.

Execution Factors of Importance: Timely execution and Liquidity.

### Coutts Structured Investments and Securitised Derivatives

We will execute all transactions OTC and solely with the principal market-maker of the relevant product. The availability of a secondary market in these products will be subject to the principal market-maker providing liquidity.

Execution Factors of Importance: Timely execution and Liquidity.

### Other Structured Investments and Securitised Derivatives

We will execute all transactions either OTC or via a designated exchange (if one), but solely with the principal market-maker of the relevant product. The availability of a secondary market in these products will be subject to the principal market-maker providing liquidity.

Execution Factors of Importance: Timely execution and Liquidity.

### Collective Investment Schemes ('CIS')

We will transact with selected fund aggregation platforms. Individual CIS will state in their prospectus the manner in which subscriptions and/or redemptions can be purchased/made. Client Orders will be transferred to the appropriate venue for execution at the next available valuation point.

Execution Factors of Importance: Price and Liquidity.

### Foreign Exchange ('FX') (in relation to securities transactions)

The Coutts FX product pricing is based on the following principles:

- Coutts Treasury Services acts as Principal/price maker versus any underlying client transaction;
- The FX rate is determined by reference to wholesale interbank quotes sourced from Reuters/Bloomberg quoted as bid/ask;
- The wholesale interbank quote is adjusted (marked up/down depending on whether the client is buying or selling the foreign currency) to take account of the transaction size and type.

The exchange rate you will receive on any foreign exchange transaction conducted in connection with this service will be the Bank's prevailing exchange rate at the date and time that the foreign exchange transaction is processed by the Bank (or will be at a margin above or below the exchange rate if we have told you that this is the case).

Indicative Reference Exchange Rates are published at [coutts.com/fxrates](http://coutts.com/fxrates) and can be found by searching 'Coutts Exchange Rates' using the site search engine or are available from the Bank. These Reference Exchange Rates are indicative only and are made available by the Bank solely for reference purposes. The Bank may change its exchange rates immediately and without telling you in advance if there has been a change in the Reference Exchange Rate.

For currencies where restrictions apply and the currency is not covered by the Coutts FX department, Coutts will arrange for settlement with our trading counterparty. The settlement currency however, is likely to be limited to US dollars only.

### Venues of significant reliance

The table below sets out the execution venues on which we place significant reliance for transactions in certain instruments. Not all financial instruments will have a venue of significant reliance.

In some cases the significant reliance may be that only one venue is used based on certain criteria such as the size of the transaction, eg transactions under an agreed number of shares or total consideration will be routed to a single venue. In addition, a Financial Instrument may only be available on one execution venue. In some cases the single venue may be an affiliate of Coutts & Co. When a single venue is used this venue is subject to the same requirements to ensure they meet these order execution arrangements.

Instrument type	Execution venue
Equities	• UBS AG
Exchange Traded Futures and Options	• UBS AG
OTC Derivatives	• RBS plc
Foreign Exchange	• RBS plc
CIS	• UBS AG and BNP Paribas

### Review and monitoring

We will review our execution arrangements and venues on at least an annual basis or whenever a material change occurs that affects our ability to obtain the best possible result for our Client Orders. We will inform you of any material changes to our execution arrangements or our execution policy. We will periodically monitor the quality of our execution against the factors detailed in this Policy to identify deficiencies and, where appropriate, enhance our arrangements.

### Glossary

**ADR:** American Depositary Receipt is a negotiable security that represents securities of a non-US company that trades 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.

**Client Order:** An instruction to buy or sell a Financial Instrument that is accepted by us for execution or transmission to a third party.

**Collective Investment Schemes or CIS:** 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.

**Counterparty:** The other party that participates in a financial transaction.

**Counterparty Risk:** The risk that a Counterparty will not be able to meet its payment or delivery obligations.

**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 via an Exchange (ETD).

**Equity:** Equities represent ownership interest in a firm, typically referred to as 'shares'.

**Equity Products:** These include Equities, Exchange Traded Funds ('ETF'), American Depositary Receipts ('ADR'), Global Depositary Receipts ('GDR'), Exchange Traded Commodities ('ETC'), Exchange Traded Notes ('ETN'), Warrants, Covered Warrants.

**ETC:** Exchange Traded Commodities, these are debt securities traded on an exchange, 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.

**ETD:** Exchange Traded Derivative, a derivative contract, traded on an authorised exchange and cleared through a clearing house, which is characterised by standard terms and conditions.

**ETF:** Exchange Traded Fund, a CIS that tracks 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. ETFs experience price changes throughout the day as they are bought and sold.

**ETN:** Exchange Traded Note, these 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.

**Exchange:** A marketplace in which securities, commodities, derivatives and other financial instruments are traded. The core function of an exchange – such as a stock exchange – is to ensure fair and orderly trading, as well as efficient dissemination of price information for any securities trading on that exchange. Exchanges give companies, governments and other groups a platform to sell securities to the investing public. An exchange may be a physical location where traders meet to conduct business or an electronic platform.

**Execution Venue:** A Regulated Market, an MTF, a market maker or other liquidity provider or an entity that performs a similar function.

**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.

**Financial Instrument:** A generic term used to refer to any type of tradable financial asset, such as an equity or debt security, derivative or unit in a collective investment scheme.

**Fixed Income:** Securities which pay a rate of interest and involve varying degrees of Counterparty Risk. The most common type of fixed-income securities are Eurobonds and Government Bonds.

**Fixed Income Products:** 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 (includes contingent convertibles (CoCo's) – sales to close positions only), asset-backed securities, subordinated bonds, perpetual bonds, municipal bonds, retail bonds.

**GDR:** Global Depositary Receipt, this is typically a bank certificate issued in more than one country for shares in a foreign company. GDRs are held by a foreign branch of an international bank. GDRs trade like domestic shares, but are offered for sale globally through the various bank branches. As a Financial Instrument, it enables domestic companies to raise capital from foreign markets in a freely convertible currency.

**MiFID:** Means the Directive 2004/39/EC of the European Parliament and the Council of 21 April 2004 on Markets in Financial Instruments and any implementing directives and regulations. The Directive took effect from 1 November 2007.

**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.

**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.

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

**Reference Exchange Rate:** A 'Reference Exchange Rate' is an indicative exchange rate for the conversion of one currency into another which is made available for reference purposes only and is determined by reference to the foreign exchange market rates published by information service providers such as Reuters and Bloomberg.

**Regulated Market:** A 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.

**Securitised Derivatives:** These instruments may give you a time-limited right or an absolute right to acquire or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment. Alternatively, these instruments may give you rights which allow for speculation on fluctuations in the value of the property of any description or an index, such as the FTSE 100 index. These are typically issued by financial institutions as unsecured securities; they therefore involve Counterparty Risk.

**Structured Investments:** A type of investment specifically designed to meet a defined financial objective by customizing a group of financial instruments (including Derivatives) with varying terms, payouts and risk profiles on a range of underlying assets. These are typically issued by financial institutions as unsecured securities; they therefore involve Counterparty Risk.

**Valuation Point:** The time at which a CIS or more commonly known as a 'fund' is valued (typically daily). Other than for ETFs, the value of a fund at the valuation point is used to calculate the price of units.

**Warrants:** A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying asset.

