

# **BEST EXECUTION AND ORDER MANAGEMENT POLICY**

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**HARGREAVES  
LANDOWN**

## PURPOSE

The Best Execution and Order Management Policy sets out the approach taken by Hargreaves Lansdown ("HL") to ensure that the best outcomes are obtained for our clients when executing orders..

HL must take all sufficient steps to obtain, when providing quotes and executing client orders, the best possible result for our clients by considering all relevant execution factors and any specific client instructions.

The regulatory obligation to consistently provide Best Execution applies to all in-scope MiFID II financial instruments. In order to achieve Best Execution for our clients, HL has developed and implemented a Best Execution governance and control framework which is applied across all in-scope financial instruments offered to our clients.

## SCOPE

This policy is applicable to the following products that HL offers to our clients:

- Transferable Securities: including Shares and Depositary Receipts;
- Debt instruments: including Bonds and Money Market Instruments;
- Units or shares in collective investment schemes ("CIS"); and
- Exchange Traded Products: including exchange traded funds, exchange traded notes and exchange traded commodities.

HL's obligation to provide Best Execution to our clients will arise in situations where it is receiving client orders and transmitting these to our execution venues<sup>1</sup>. However, this obligation may differ when a specific instruction from a client has been received in relation to the handling or execution of their order. For further information on this, reference should be made to **Specific Client Instructions** section of this Policy.

## BEST EXECUTION APPROACH

### HOW CLIENTS PLACE ORDERS

HL is able to receive client orders through the following communication channels:

- Our website;
- HL App (which is available to all Android and Apple users);
- Telephone; and

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<sup>1</sup> Execution venues include: a regulated market, a Multilateral Trading Facility (MTF), an Organised Trading Facility (OTF), a systematic internaliser, or a market maker or other liquidity provider.

- Our postal dealing facility.

HL is responsible for maintaining oversight of the execution quality achieved by the respective execution venue.

## EXECUTION FACTORS

In order to achieve the best result for our clients, HL considers the following factors when executing client orders:

- **Price:** The price of the financial instrument at which a transaction is executed;
- **Cost:** This includes explicit external costs such as brokerage, clearing fees, as well as implicit costs such as spreads and slippage;
- **Speed:** The amount of time that elapses between the order being placed and the successful execution of that order;
- **Likelihood of execution and settlement:** The ability of HL to place the client's order and settle it;
- **Size:** The size of the transaction executed for a client, accounting for how this impacts the price of execution; and
- **Nature of the order and any other relevant considerations:** This covers any other factors not listed above that HL may wish to prioritise in order to achieve best execution for our clients (e.g. anonymity and/or reduce the market impact of the order).

## EXECUTION CRITERIA

When executing a client order, HL will also determine the weighting of execution factors, typically by considering the following factors:

- **The client:** All clients will be treated as Retail clients;
- **The client order:** Size and urgency of order;
- **The financial instrument:** What instruments are subject to the order; and
- **The execution venues:** Where the client order can be transmitted and executed.

## TYPES OF ORDERS

There are four ways our clients can give HL execution instructions. These are:

- 1) **'At Best Market Order':** an order to buy or sell at the best price available in the market at that time. We will deal at best unless you state otherwise. If you deal by telephone,

we normally check the current market price and deal while you are on the telephone. On some occasions we may have to place the order manually and we may be unable to confirm the deal on the telephone. As market prices can change at any time, it is possible that the price could have gone up or down since the price was quoted to you. If you are concerned about this you should consider the use of a limit order;

- 2) **'Fill or Kill'**: an order to buy or sell at a specified price or better. If your order cannot be filled at the time we attempt to place it in the market, it will be cancelled;
- 3) **'Limit Order'**: an order to buy or sell which is triggered once your specified price has been observed; and
- 4) **'Stop Loss'**: an order to sell an existing holding which is triggered if the bid price falls to, or below, a specified level.

HL cannot guarantee that a Limit Order or Stop Loss will be executed, even if the share price reaches the limit price or stop price set.

After the share price reaches the limit price or stop price set, we will attempt to place the deal in the market. However, share prices can change in seconds and if a share price has moved by the time we attempt to place a deal it may not be executed at the price set, or at all.

A number of factors could prevent an order being executed such as market conditions at the time, operational and other factors outside our control, or if HL should suspend the Limit Order or Stop Loss service.

## THE EXECUTION PROCESS

### PRIORITISATION OF EXECUTION FACTORS

HL utilise the RSP (Retail Service Provider<sup>2</sup>) system which facilitates best execution for the majority of clients' orders, prioritising the likelihood of execution at the best price and costs. Where best execution cannot be achieved through the RSP, HL will generally prioritise price and speed together. However, the other execution factors including cost, size and likelihood of execution and settlement will still be considered.

However, it should be noted that depending on the nature of our client orders, the way in which we prioritise the execution factors outlined could be subject to change. If this is the case we will agree this with the client before execution to ensure that the interests and desired outcomes of our clients are met.

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<sup>2</sup> A system where execution venues provide electronic quotes to retail investors.

## SPECIFIC CLIENT INSTRUCTIONS

If HL receives an order from a client that includes a specific instruction in relation to the handling and execution of their order (e.g. the client directs HL to use a specific execution venue) then, subject to our legal and regulatory obligations, HL will execute the client's order in accordance with the specific instruction. This means that to the extent of the specific instruction, HL's obligation of providing Best Execution will be satisfied by executing the order in accordance with the specific client instruction.

Where a specific instruction only covers a portion of an order (e.g. a specific execution venue has been requested to fulfil the order), and HL has discretion over the other elements of the order, then HL will fulfil its obligation of Best Execution in respect of the remaining elements of the order that are not covered by the specific instruction by acting in accordance with the execution factors and criteria outlined in this policy.

Where our clients submit a specific instruction in relation to their order, HL will review the consistency between these instructions and their execution as part of their ongoing Best Execution monitoring activities.

## METHOD OF EXECUTION

When a client request for a quote has been received, it will be transmitted through to our electronic order routing system, otherwise referred to as the RSP. Once transmitted through to the RSP, our execution venues will automatically return a quote which provides our client with the best available price. Once the quote has been provided to our client, there will usually be up to a 30 second time period for our client to accept the quote before it expires. The time in which our clients have to execute their order will depend on the instrument being purchased and the nature of the market at the time the request for quote is submitted.

In the event that our clients cannot obtain a quote, or their order cannot be executed via the RSP, we will utilise our wider execution venues to ensure that our clients order can be fulfilled (otherwise referred to as **manual dealing**<sup>3</sup>). To ensure that the execution venue selected by HL is providing our client with Best Execution, HL will use external market data to ensure that the quote provided aligns with what is being offered in the wider market.

Whilst HL will generally try to obtain a quote from more than one execution venue, this may not always be possible or beneficial. For example, in certain illiquid instruments, obtaining multiple quotes could adversely impact the relevant market and compromise HL's ability to provide Best Execution. In these instances, HL's Dealing Team will apply their professional experience and market knowledge to ensure that the execution venue selected is best suited to fulfil our clients order as requested.

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<sup>3</sup> Manual dealing may involve dealing outside of a regulated market. Should this be necessary HL will gain your express consent before executing the order.

Where circumstances arise that are beyond HL's control (e.g. volatile markets), it is possible that Best Execution may not be guaranteed for our clients.

A list of the execution venues used by HL can be found in Appendix 1 of this Policy.

## **SHARE EXCHANGE**

A Share Exchange order is an instruction from a client to sell an existing holding to raise funds, and then buy back the same instrument after costs, typically into a tax wrapper from a general investment account. A Share Exchange order will always result in a pair of transactions, firstly the sale of the existing holding, and then the purchase to reinvest into the same instrument.

A Share Exchange order may be provided online or by transfer form (where applicable) in investments which you own. Upon receipt of a valid instruction the Share Exchange order will be transmitted to our execution venue(s). All instructions will be processed and placed as soon as is practicable. When dealing volumes are unusually high there may be a delay.

For Equities the order will be dealt at the mid-market price. Commission will be charged on the purchase to reinvest only and will not be charged on the sale of the existing holding. Once the order has been fulfilled, HL will send a contract note (electronically or physically) to the client.

## **POSTAL DEALING**

Where our clients decide to deal with HL via the post, any orders received will be collected and passed onto our Dealing Team who will be responsible for submitting the order via the RSP or by manual dealing, as outlined in the process above. Once the order has been fulfilled, HL will send a contract note (electronically or physically) to the client.

Please note that as per our Postal Dealing Terms and Conditions, all postal dealing requests will be handled within three days of receipt.

## **FUNDS**

Where our clients submit a fund dealing instruction, these orders will initially be dealt with by one of our fund dealers, who will liaise with the respective fund administrator to execute the order. Our clients can place orders in the following types of funds: unit trusts, an open-ended investment company ("OEIC") and unlisted collective investment funds.

## **SELECTING EXECUTION VENUES**

HL has implemented a governance and control framework for the onboarding of execution venues. As part of the onboarding process, all prospective execution venues are subject to checks against a number of qualitative and quantitative metrics that have been agreed internally.

To ensure that HL's execution venues continue to provide Best Execution to our clients, their performance and effectiveness are assessed on an ongoing basis as part of the wider Best Execution monitoring activities undertaken by HL.

Checks as part of our due diligence on prospective execution venues include:

- whether the execution venue is regulated by the FCA and (if appropriate) a member of the London Stock Exchange ("LSE");
- that trade execution is in line with HL's Best Execution and Order Management Policy, and;
- that settlement links via Euroclear CREST Delivery Versus Payment ("DVP") are compatible with HL.

## **EXECUTING ORDERS IN OVERSEAS INSTRUMENTS**

Whilst HL has capabilities to execute client orders in overseas products, HL will only be able to accept such orders if they can be settled as a Crest Depositary Interest (e.g. instruments that are listed on exchanges based outside of the UK).

## **EXECUTING OUTSIDE OF THE EEA**

HL may, in some instances (e.g. when a stock has been de-listed), transmit client orders to execution venues that are located outside of the European Economic Area ("EEA"). In such cases, HL will ensure that the selected execution venue has adequate arrangements implemented to enable the firm to provide Best Execution to our clients (including how they prioritise the execution factors and criteria outlined in this policy).

## **OVERSEAS EQUITIES AND EXCHANGE TRADED PRODUCTS**

All orders in overseas Equities and overseas Exchange Traded Products will be dealt at the overseas market price and converted into Pounds Sterling by the execution venue at the prevailing interbank exchange rate. We charge a separate foreign exchange ("FX") charge on each deal, all of which are made available to our clients in the [Tariff of Charges section](#) of HL Service Terms and Conditions on our website.

## **INTERNATIONAL BONDS / EUROBONDS**

Where HL receives client orders for International Bonds / Eurobonds, if a price cannot be returned through the RSP, HL will use external market data maintained by the LSE Orderbook for Retail Bonds ("ORB") to determine the price and depth of the market. Once this information has been gathered, HL will utilise our wider network of Debt instrument execution venues to fulfil the client's order.

Where a price cannot be obtained by the Dealing Team on the LSE ORB, the Dealing Team will seek to trade Over The Counter ("OTC"). Prior to executing an OTC trade, HL will require client consent.

# CLIENT ORDER HANDLING AND ORDER AGGREGATION

## ORDER HANDLING

When handling client orders HL will:

- Promptly and accurately record and allocate all orders executed on behalf of clients;
- Carry out comparable client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise; and
- Inform our clients about any material difficulties relevant to carrying out orders promptly upon becoming aware of the difficulty.

## ORDER AGGREGATION

In certain circumstances, particularly in relation to monthly dividend reinvestments, HL may combine our clients order with those of other clients (otherwise referred to as **order aggregation**) if we believe that this will obtain a more favourable price or it is more efficient to do so. Prior to doing so, HL will ascertain whether the execution strategy for each client is sufficiently similar so that they can be merged without compromising Best Execution for any of our clients. HL will also take into consideration any limits or specific instructions on the order.

HL will only aggregate or allocate client orders when the following conditions are met:

- The aggregation of orders and transactions will not work to the overall disadvantage of any client, when compared with other participating clients, whose orders are to be aggregated, as described below; and
- It is disclosed to each client whose order is to be aggregated that this may work to their disadvantage in relation to a particular order.

In the event that HL aggregates client orders, HL will:

- Treat all clients participating fairly;
- Ensure that clients who participate in an aggregated order will participate at the same price; and
- Continue to seek Best Execution.

In some circumstances when we aggregate orders that may result in a less favourable price, our clients must provide us with consent that they are happy to proceed with the proposed structure of their order. In such scenarios where this consent has been provided by our clients, HL reserves the right to decide how to structure aggregated orders when placing them.



## **BLOCK TRADES**

Block trades may involve dealing outside of a regulated market. HL will give more consideration to the execution factors of speed and likelihood of execution and settlement, and not just price and cost when executing client orders.

## **MONITORING AND REPORTING**

HL will monitor the effectiveness of our execution arrangements on a regular basis to ensure that our clients continue to receive the best outcomes.

**CHARGES** As part of the Best Execution regulatory obligations, HL is required to demonstrate that it is taking appropriate steps to provide Best Execution to our clients. As part of this, HL will ensure that its charges are transparent, and do not hinder the client achieving Best Execution.

## **CONFLICTS OF INTEREST**

HL has established a conflicts of interest governance and control framework to identify, assess and manage conflicts should these arise.

## **POLICY MANAGEMENT**

### **DISTRIBUTION AND CONSENT**

Whilst this Best Execution and Order Management Policy can be found on our website, the key aspects of this Policy are contained in the Terms and Conditions which clients must sign as part of the onboarding process before they can commence trading.

### **REVIEW**

HL will formally review this Policy annually. Any material changes to this Policy (including changes to HL's business activities or any regulatory developments) will be communicated to clients accordingly and will be made available on HL's website.

## **FURTHER INFORMATION**

Should any of our clients have any queries about our Best Execution arrangements, these can be made via our Helpdesk.

# APPENDIX 1 – EXECUTION VENUES

Below is a list of execution venues used by HL to fulfil client orders.

Financial Instrument	Execution Venue
<b>Transferable securities:</b> including Shares and Depositary Receipts	
	Canaccord Genuity Limited
	Cenkos Securities PLC
	J&E Davy (UK) Limited
	Flow Traders B.V.
	Goldman Sachs International
	Goodbody Stockbrokers
	Instinet Europe Limited
	Investec Bank PLC
	Jane Street Financial Limited
	Jefferies International Limited
	Joh. Berenberg, Gossler & Co. KG
	JP Morgan Securities plc
	Liberum Capital Limited
	Marex Financial
	Numis Securities Limited
	Optiver VOF
	Panmure Gordon (UK) Limited
	Peel Hunt LLP
	RBC Europe Limited
	Shore Capital Stockbrokers Limited
	Singer Capital Markets Securities Limited
	Stifel Nicolaus Europe Limited
	Virtu Financial Ireland Limited
	WH Ireland Limited
	Winterflood Securities Limited
	Zeus Capital Ltd
<b>Debt instruments:</b> including Bonds and Money Market Instruments	Canaccord Genuity Limited
	Guy Butler Limited
	King and Shaxson Limited
	Peel Hunt LLP
	RIA Capital Markets Ltd
	Winterflood Gilts Limited
<b>Exchange Traded Products:</b> including exchange traded funds, exchange traded notes and exchange traded commodities	Flow Traders London Ltd
	Jane Street Financial Limited
	Jefferies International Limited
	Peel Hunt LLP
	Susquehanna International Securities Limited
	Winterflood Securities Limited

