



## Client Order Execution Policy

## Application

The Codes of Practice for Investment Business issued by the Jersey Financial Services Commission 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 an Order.

This execution policy ('Policy') is applicable to Retail clients ('you or your') of Royal Bank of Scotland International Limited (trading as Coutts Crown Dependencies and/or our Affiliates ('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; 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 Orders, subject to different factors and criteria which are dependent on the Financial Instrument and the type of market on which the Order is executed.

The best execution obligation applies to the following Financial Instruments:

- Transferable securities, including any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices.

Best execution does not apply to the following (non-exhaustively):

- spot foreign exchange and commodity transactions;
- loans and deposits; and
- the exercise and assignment of options.

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 Policy in the context of different instruments and different markets.

The first Order that you place with us will be construed by us as your consent to this Policy. Accordingly, this Policy will come into effect on the date of the first Order that you place with us.

## 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);
- the size and nature of the Order; and
- any other circumstances that we deem to be relevant to the execution of that transaction.

## Best execution criteria

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 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;
- the characteristics of the Execution Venues to which that Order can be directed; and
- any other circumstances that we deem to be relevant to the execution of that transaction.

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 that determine how we select the different Execution Venues on which we may execute your Order.

We have also identified those Execution 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 Execution Venues for the purpose of executing your Orders, we will take into full account the factors relevant to the Order, including:

- 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.

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 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, it (or the relevant part or aspect of it) will be executed in accordance with those instructions as 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 Policy where we are not precluded from doing so by your specific instruction.

#### **Sales Commissions/Pricing**

We would like to highlight certain elements of the way that we handle, execute and price Orders and transactions. Unless otherwise disclosed, we will generally provide you with a single 'all-in' price which will include the price of the product, (including any bid/offer spread). For certain products (for example foreign exchange), additional amounts may apply, including:

- (a) the costs related to execution including Execution Venue fees, clearing and settlement fees and other fees paid to third parties involved in the execution of the transaction; and
- (b) any sales commission or sales margin, in addition to the bid/offer spread.

The sales margin charged by us is determined taking into consideration a variety of factors, which may include:

- service level provided;
- the credit risk that we will take on when transacting with you;
- the cost of capital we incur as a result of the transaction;
- volumes traded by you;
- competitiveness of the relevant marketplace; and
- other factors that may be relevant to a particular transaction.

The price, costs and sales margin for these products will vary depending on the client and transaction. The inclusion of costs and/or sales margin will apply to both Requests for Quotes and Orders. For certain Order types in certain products, the addition of sales margin by us may impact the price at which the Order is executed.

We will use our professional judgment based on available market information to determine whether a limit for a Limit Order has been reached. If and when your Order can be executed at the limit price, it does not mean that we held, acquired, or would acquire, inventory to complete the transaction at the Order price level or that there exists a tradable market at that level. As Principal, we attempt to execute an Order to make an appropriate return on the transaction if possible, taking into

account our position, including our inventory strategy and overall risk management strategies at our discretion.

We will use our access to liquidity channels (ie places where transactions can be effected easily with little impact on the price) to attempt to execute the full size of your transaction given the prevailing market conditions and your instructions. We will assume that partial fills are acceptable unless we have mutually agreed with you otherwise. A partial fill occurs where we are unable to satisfy the whole of your transaction and hence only provides you with a part of your requested transaction.

Our undertaking to work your Order does not create a contract between you and Coutts Crown Dependencies that commits us to execute any or all of the Order in any particular way, nor is it a contract that binds you to execute the trade with Coutts Crown Dependencies at the Order price.

Market volatility may result in the price of a product moving significantly from the time of receipt of your Order to the time of execution of that Order. We will (at our discretion) attempt to reflect such price movements, whether positive or negative, in the price provided to you.

Unless otherwise prohibited by applicable regulation, we may engage in hedging or other positioning activity for our own account or on behalf of an issuer or investor clients before or after the provision of a price to you for a transaction in order to manage our exposure under that transaction, our general market risk, or other trading activities. This may require us to execute trades in this instrument and related instruments. Such activity may detrimentally affect the price you receive or whether a barrier or level that has been specified has been reached. Any profits derived from these trades will be retained by Coutts Crown Dependencies.

#### **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 an Order on an agency basis 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. We do not carry out any hedging or other positioning activity for our own account on Equity or Fixed Income Products or Collective Investment Schemes (see below).

Execution Factors of Importance: Price and Liquidity.

#### **Fixed Income Products**

We will execute Fixed Income transactions as your agent 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.

#### **FX Limit Orders**

Products in scope:  
FX Forwards  
FX Spot

We will offer the following types of Limit Order for FX Spot and for the Spot element only of FX Forwards (we do not offer Order functionality on the Forward element).

#### **Types of Orders received:**

**At-Best Orders** are Orders from the client to buy or sell a volume of a currency pair at the best price available as soon as practicable.

Best execution will be provided for At-Best Orders by entering the Order into its internal liquidity aggregator and attempting to execute the Order at the best price available for the specified volume and currency pair as soon as practicable given current market conditions.

**Limit Orders** are Orders from the client to buy or sell a volume of a currency pair at a specified limit price. There are two additional types of Limit Orders - Stop Loss Limit Orders and Take Profit Limit Orders:

**Stop Loss Limit Orders** are Orders from the client to buy a volume of a currency pair at a specified limit price above the current market price, or to sell a volume of a currency pair at a specified limit price below the current market price when the price set in the Stop Loss Limit Order becomes available for trading.

**Take Profit Limit Orders** are Orders from the client to buy a volume of a currency pair at a specified limit price below the current market price or to sell a volume of a currency pair above the current market price when the price set in the Take Profit Limit Order becomes available for trading.

Best execution will be provided for each Limit Order either by executing it in the market or by entering the Order into its order book, monitoring the market until the agreed limit price is achieved or the Order is cancelled by the client and attempting to execute the Order at the limit price or better for the specified volume and currency pair as soon as practicable given market conditions.

**Linked Orders** are where the client links two or more Orders to each other.

Best execution will be provided for Linked Orders by executing the Linked Orders in accordance with the client's specific instructions.

#### **Request for Quotes and negotiated price transactions:**

Best execution will be provided where applicable for Request for Quotes and negotiated price transactions by using its professional judgment to determine the best execution price based on the specifics of the Financial Instrument, the prevailing liquidity and other relevant execution factors.

#### **Execution Factors of Importance:**

The most important execution factors that will be taken into account to obtain best execution for transactions in FX Forwards, FX Swaps and any other FX product (excluding FX Spot) are price, size and speed of execution. The priority of any one of these factors over the others will depend upon the specific instructions from the client. If no instructions are received, the following order of priority will generally be used:

**Price:** access to all available liquidity channels will be used to achieve the best price for the client.

**Size:** access to all available liquidity channels will be used to attempt to execute the full size of the client transaction given the prevailing market conditions and instructions of the client. Partial fills will be assumed to be acceptable unless the client indicates otherwise. A partial fill occurs where it is not possible, due to market conditions, to satisfy the whole of the client transaction and hence only provides the client with a part of its requested transaction.

**Speed:** reasonable endeavours will be used to execute the transaction as soon as is practical given the prevailing market conditions and the instructions of the client.

#### **Coutts Structured Investments and Securitised Derivatives**

We will execute all transactions Over the Counter 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 Over the Counter or via a designated Exchange (if there is 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**

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

**Execution Factors of Importance:** Price and Liquidity.

#### **Execution 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 an Execution Venue of significant reliance.

In some cases the significant reliance may be that only one Execution 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 Execution Venue. In addition, a Financial Instrument may only be available on one Execution Venue. In some cases the single venue may be an Affiliate. When a single Execution Venue is used this Execution Venue is subject to the same requirements to ensure they meet these Order execution arrangements.

<b>Instrument type</b>	<b>Execution venue</b>
Equities	UBS AG and Coutts & Co
Exchange Traded Futures and Options	Coutts & Co
Foreign Exchange	RBS plc
Collective Investment Schemes	UBS AG

#### **Coutts & Co**

Transactions in Equities, Bonds, Structured Investments and Securitised Derivatives are executed by Coutts & Co on our behalf. Coutts & Co is a company incorporated under English Law (Registered no. 36695) and has its registered office at 440 Strand, London WC2R 0QS. Coutts & Co maintains a separate execution policy and utilises an approved panel of brokers as set out in the Execution Venue list when processing Royal Bank of Scotland International Limited (trading as Coutts Crown Dependencies) business.

#### **Review and monitoring**

We will review our execution arrangements and Execution 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 also periodically monitor the quality of our execution against the factors detailed in this Policy to identify and, where appropriate, enhance our arrangements.

#### **Glossary**

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

**Affiliate:** Any company within The Royal Bank of Scotland Group.

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

**Collective Investment Schemes:** An investment vehicle that is typically a unit trust or an 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 or via an Exchange (ie an Exchange Traded Derivative).

**Equity or Equities:** Instruments representing ownership interest in a company, typically referred to as 'shares'.

**Equity Products:** Includes Equities, Exchange Traded Funds, American Depositary Receipts, Global Depositary Receipts, Exchange Traded Commodities, Exchange Traded Notes, and Warrants, Covered Warrants.

**Exchange Traded Commodities:** Debt securities traded on an Exchange, designed to track the performance of a single commodity or a commodities index. Exchange Traded Commodities are typically issued by special purpose vehicles which may invest in Derivatives or the physical commodity itself.

**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.

**Exchange Traded Fund:** A Collective Investment Scheme 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. Exchange Traded Funds experience price changes throughout the day as they are bought and sold.

**Exchange Traded Note:** Debt securities traded on an Exchange, designed to track the performance of a market index. These are typically issued by financial institutions as unsecured securities; they 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, Multilateral Trading Facility, a market-maker or other liquidity provider or an entity that performs a similar function.

**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:** 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 sale of contingent convertibles – sales to close positions only), asset-backed securities, subordinated bonds, perpetual bonds, municipal bonds, retail bonds.

**Global Depositary Receipt:** Typically a bank certificate issued in more than one country for shares in a foreign company. Global Depositary Receipts are held by a foreign branch of an international bank. Global Depositary Receipts 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.

**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.

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

**Over the Counter:** Where buying and selling is not conducted on 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:** 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.

**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 Collective Investment Scheme or more commonly known as a 'fund' is valued (typically daily). Other than for Exchange Traded Funds, the value of a fund at the valuation point is used to calculate the price of units.

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

