

# ETFS BEST EXECUTION POLICY



# CONTENTS

<b>Overview</b>	<b>3</b>
<b>Delegated Fund Management</b>	<b>3</b>
<b>Execution Criteria</b>	<b>3</b>
<b>Broker Execution Venues</b>	<b>4</b>
<b>Specific Client Instruction</b>	<b>5</b>
<b>Specific Financial Instrument Consideration</b>	<b>5</b>
<b>Monitoring and Review</b>	<b>6</b>
<b>Appendix One</b>	<b>6</b>



## OVERVIEW

As detailed in COBS 11.2B of the Financial Conduct Authority Handbook (transposed from article 25/26 of the UCITS implementing Directive), Equity Trustees Fund Services (ETFS) must act in the best interests of each scheme it manages when executing decisions to deal on behalf of the scheme, and take all sufficient steps to obtain the best possible result (or “best execution”) when executing orders on behalf of its clients. These rules require firms to put in place an execution policy (“**Policy**”) which sets out how it will obtain best execution for its clients and to provide appropriate information to its clients on its order execution policy.

ETFS is the Authorised Corporate Director (ACD) for various UK collective investment schemes (“**CIS**”). The management of these funds, is delegated to independent asset managers. Please refer to ‘Delegated Fund Management’ below.

ETFS does not carry out investment management for its funds. If ETFS does carry out investment management for its funds due to needing to bring the fund management in house from a delegate, ETFS will place orders in various asset classes (primarily Exchange Traded Funds (“**ETF**”) but also including CIS, equities and bonds). There are two types of methods of execution, direct execution and indirect execution. For the purposes of our regulatory requirements we carry out this activity with a third party (“**Broker**”). Our policy and procedures are designed to obtain the best possible execution result.

## DELEGATED FUND MANAGEMENT

ETFS acts as an ACD and is the Authorised Fund Manager (“**AFM**”) for CIS in the UK to which it delegates to third party delegated investment managers whilst retaining overall responsibility for ensuring that the schemes are managed in accordance with the funds’ scheme documentation and all applicable regulations.

ETFS currently only operates UCITS schemes. Should in the future CIS be constructed as Non UCITS Retail Schemes (“**NURS**”) or Qualified Investor Schemes (“**QIS**”), such schemes fall within scope of the Alternative Investment Fund Managers Directive (“**AIFMD**”), for which ETFS will act as Alternative Investment Fund Manager (AIFM) and comply with COBS 11.2.

Each of these funds will adopt the Third Party Delegated Investment Managers Execution Policy. Before appointing an investment manager, ETFS will carry out full due diligence which will include a review of the prospective investment manager’s best execution arrangements to ensure it is in line with legislation and regulation, ETFS’s own requirements and what it considers the best interests of investors. The investment manager’s activities are closely monitored including an annual review of their execution policy.

Where ETFS are required to assume the investment management function in relation to one of our funds due to the retirement, removal or failure of one of our appointed managers, we may be required to undertake discretionary management functions which will fall under the scope of this Policy.

## EXECUTION CRITERIA

When dealing in a financial instrument, ETFS will exercise its discretion in assessing the criteria that needs to be taken into account to provide the client with the best possible result (“best execution”), whilst ensuring that all clients are treated fairly.

ETFS will take all sufficient steps to obtain the best result taking into account the following factors (“**Execution Factors**”):



1. Price
2. Market impact
3. Costs
4. Order size
5. Certainty of execution
6. Speed of execution
7. Settlement
8. Any other criteria relevant to the execution of the order.

The relative importance of these criteria will be judged on an order by order basis in line with our commercial judgement and experience in light of current market information.

In executing orders, in the absence of any specific instructions, we generally give precedence to the factors that allow us to deliver the best possible result in terms of value (total cost) to the client.

Price and order size will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, orders, financial instruments or markets, we may appropriately determine that other Execution Factors are more important than price in obtaining the best possible execution result.

Having assessed the relevant execution criteria and relative importance of the Execution Factors specific to that order to achieve consistently the best overall result as well as any specific instructions provided, we will select the most appropriate venue(s) from those available and execute the order accordingly.

ETFs will execute an order by one of the following methods or combination of methods:

- On a Regulated Market (as that term is defined in the FCA Glossary) via a market participant with whom we have entered into an agreement for handling orders for that Regulated Market (a Broker acting as principal).
- Outside a Regulated Market by executing the order via a market participant (with whom we have entered into an agreement for handling orders) matching orders from another of their clients (an agency Broker).
- Outside a Regulated Market by executing the order via a market participant (with whom we have entered into an agreement for handling orders). Directly on a Multilateral Trading Facility (“**MTF**”).
- Outside a Regulated Market by executing the order on an Over The Counter (“**OTC**”) basis with a Broker as counterparty (with whom we have entered into an agreement for OTC transactions).

## BROKER EXECUTION VENUES

In selecting the most appropriate Broker / venue for the purpose of execution, ETFs will take into account various factors which we believe are relevant to that order. In doing so, we assess what we reasonably believe is the best interest terms of execution.

ETFs will only transact with Brokers which are regulated and which have been approved through our governance structure.



ETFS has a process for selecting Brokers and no activities are commenced until they pass our due diligence process. The criteria to add to the approved counterparty list is based on a number of factors which may include:

- Quality of financials
- Execution quality
- Service quality
- Reputation (including regulatory history)
- Operational risk

One important consideration when selecting a venue is that the venue concerned has adequate systems and controls in place to deliver best execution.

ETFS will regularly assess the execution venues and Brokers available and may add or delete venues in accordance with our obligation to provide the best possible execution result on a consistent basis. See Appendix 1 for a list of direct and indirect relationships.

## SPECIFIC CLIENT INSTRUCTION

Where ETFS contracts directly with a client to provide execution only services, a client will provide us with a specific instruction to deal on their behalf which we will execute in accordance with those instructions and in the terms of our contractual agreement. ETFS at all times will owe execution only clients a duty to provide best execution.

Where the instructions relate to only part of an order, we will continue to apply our Policy to those aspects of the order not covered by specific instructions.

It should be noted that providing specific instructions to us in relation to the execution of a particular order may prevent us from following this Policy which is designed to obtain the best possible result for a client on a consistent basis taking into account the factors outlined above.

Please note that ETFS does not intend on offering an execution only service to clients.

## SPECIFIC FINANCIAL INSTRUMENT CONSIDERATION

The following instrument considerations are taken into account:

For equities (including ETF and warrants) we take into consideration the rationale for the order, order size relative to that available, historic liquidity and any specific instructions (i.e. price limits or any other reasonable factors relevant at the time). Whilst price is generally the most important factor, market impact and execution speed may have greater importance. We select a Broker who we believe will achieve the best result for orders of this nature.

For bonds and money market instruments, we take into consideration price, liquidity, market transparency and speed of execution. Whilst price is generally the most important factor, market impact and execution speed may have greater importance. In some markets, price volatility may mean timeliness of execution is a



priority, whereas in low liquid markets, the act of execution may in itself be best execution. We select a Broker who we believe will achieve the best result for orders of this nature.

CIS which are not exchange traded will normally be in traded on the secondary market. We will place orders with the relevant administrator of the scheme, who will be considered the execution venue. Such transactions will be executed at an appropriate price based on the net asset value.

## MONITORING AND REVIEW

ETFs will continue to monitor the effectiveness of this Policy and its execution arrangements to identify and where appropriate, correct any deficiencies. ETFs will review this Policy on an annual basis and should a material change occur, ETFs will update this document accordingly and notify affected clients.

All investors can request a hard copy of this Policy at any time.

## APPENDIX ONE

ETFs currently do not have any approved brokers.

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ETFS is authorised and regulated by the Financial Conduct Authority and is entered on the register under reference 227807. Registered in England number 04856420.  
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