

## Order Execution Policy

### 1. Introduction & Background

The Financial Conduct Authority (“FCA”) requires a firm which provides order execution services to take all sufficient steps to obtain the best possible result for its clients. This Order Execution Policy (“The Policy”) sets out the procedures followed by Southey Capital Ltd (“Southey”) in order to meet that requirement. This document is a summary of the Order Execution Policy and available on the Southey website at [www.southeycapital.com](http://www.southeycapital.com).

#### i. Defining “best execution”

Southey seeks to provide best execution as required by the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”). Southey is required to establish policies and procedures to demonstrate that all sufficient steps have been taken to obtain the best possible result for clients in the course of providing execution services. Execution services will include the routing or placing of orders with other market participants or when executing an order in response to a request for quote (RFQ).

#### ii. What constitutes “sufficient steps”

The following sets out the steps undertaken by Southey which we believe are sufficient to demonstrate its obligation under the Policy. Sufficient steps fall into various categories, which are set out in more detail in the remainder of the Policy, and include:

- a) Careful selection of execution venues in terms of executing brokers and their technology offerings as well as the underlying markets (e.g. regulated exchanges, MTFs, SIs etc) they access. Southey aims to balance liquidity provision with quality of execution received.
- b) Ongoing consultation with clients to understand objectives and requirements on a general basis but also in individual order situations.
- c) An assessment of relevant Execution Factors pre-trade and intra-trade. These include: price, liquidity, timing, signalling risk, newsflow, opposing flow, cost/likelihood of execution, etc.
- d) Southey Sales Traders utilise their experience and knowledge to balance factors against each other in given circumstances and select the best tools/venues for execution, including natural liquidity where it is available/beneficial.
- e) Intraday review of performance against relevant benchmarks and liquidity constraints, plus venue performance analysis. Ongoing adjustment of trading strategy where necessary.
- f) Post trade performance review relating to e) above, incorporating a comparison of execution versus defined tolerances. Outliers are flagged for future review.
- g) Periodic reviews to consider all of the above are undertaken in line with the Firm’s governance structure (or more frequently if circumstances require).

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h) Reviews will include (but not be restricted to): assessment of executing brokers and the underlying venues accessed, examination of the relevance of Execution Factors, improvements to strategy/use of tools which will enhance execution, examination of outlier trades and improvements to strategy, assessment of tolerances, efficacy of review process.

## 2. Application

The Policy applies to all trading activity undertaken with Southey, where the client is relying on Southey in relation to the execution of the transaction.

The Policy applies in respect to products defined by MiFID II as “financial instruments”. This includes securities such as shares, ETFs and bonds.

The Policy applies where Southey has classified a customer as a Professional Client. Southey may both execute orders on your behalf as agent or matched/riskless principal or receive and transmit your orders to a third party for execution.

The Policy does not apply to:

- Business conducted with clients who are classified and meet the FCA criteria as Eligible Counterparties
- Trades where specific instructions have been provided to Southey by the client on how to execute the transaction. In these circumstances, Southey will execute the order (or part of an order) in accordance with those instructions. For orders that contain only some element of specific instruction, any part or element of the order for which a specific instructions has not been given will continue to fall under the best execution requirements.
- When a client has requested a quote, for example in the case of voice trading in fixed income trading

## 3. Best Execution Obligations

In the absence of any specific dealing instructions given by a client, Southey will take all sufficient steps as described above to obtain the best possible result for a client when executing their order.

This will be achieved by taking into account the nature of the security, the specifics of the order and client objectives, with appropriate levels of interaction between Southey and the customer on each trade, in order to ascertain those objectives and agree a suitable strategy and venue selection. These considerations are made pre-trade and intra-trade.

Where Southey takes an order and transmits it with third party brokers for execution on behalf of the client, Southey will still consider itself as owing a best execution obligation where the client legitimately relies on Southey in relation to the final price achieved.

### i. Execution Factors

The following execution factors are taken into consideration in taking sufficient steps:

- a) Price;
- b) Cost of execution;

- c) Speed and timing of execution;
- d) Likelihood of execution and settlement;
- e) Order size;
- f) Nature of the financial instrument (including whether it is executed on a regulated market, multilateral trading facility (“MTF”) or over-the-counter (“OTC”));
- g) Potential market impact;
- h) Signalling Risk;
- i) Newsflow;
- j) Opposing flow; and
- k) Any other considerations relevant to that particular order.

## ii. Execution Criteria & Relative Importance

In the absence of specific instructions, Southey is able to exercise discretion in determining the factors for the purpose of providing best execution. The following criteria will be taken into account:

- 1) the characteristics of the client including their categorisation;
- 2) the characteristics of the client order;
- 3) the characteristics of financial instruments that are the subject of that order;
- 4) the characteristics of the execution venues to which that order can be directed

Price and cost of execution will ordinarily merit the highest relative importance in obtaining the best possible result but there will be circumstances when other factors may be more relevant. Southey will consider whether there is another factor which will impact achieving the best possible outcome and will give greater prominence to those factors, while also taking into account available market information.

For example, such factors may include liquidity or client investment objectives (including benchmarks) which may mean that the execution is not achieved at the best available price.

In consultation with clients, Southey will source natural liquidity from our network of high-quality customers (or brokers) where it is appropriate and beneficial for ultimate execution, especially in situations where liquidity is a constraint or risks of market impact are higher.

For certain Markets/Instruments it is possible for the firm to choose only one venue where the firm has reason to believe and can demonstrate that one venue only will provide the best possible result for the customer. This choice will be reviewed on a periodic basis.

Orders may be executed on an execution venue or OTC (outside of a regulated market) subject to appropriate consents being received. Southey has access to a wide range of execution venues via the third party brokers it uses. The firm may use other venues not listed in the policy subject to compliance with the Order Execution Policy.

## 4. Execution Venues and Executing Brokers

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The Policy is required to include details of execution venues used in respect of each class of financial instruments, when we execute orders for our clients.

## **i. Venues**

Execution venues include access to:

- a) EEA Regulated Markets;
- b) EEA MTFs;
- c) Systematic Internalisers (“SI”);
- d) Third party brokers which may or may not be an SI or an MTF (see below); and
- e) Other liquidity providers (which includes non EEA entities that perform a similar function to the other execution venues listed above).

A complete list of all venues accessed is available on request.

Execution venues are selected on the basis that they enable us to obtain, on a consistent basis, the best possible result for the execution of client orders.

As part of regular reviews of performance, execution venues may be removed where the factors impacting best execution are not fulfilled on a consistent basis. For example, inability to source liquidity, or lower quality execution as measured by analysis of spread crossing frequency. Upon request, Southey may restrict certain venues from its use where such request is reasonable.

## **ii. Electronic Access through Broker Partners**

Access via electronic means, including the use of Smart Order Routing facilities to execution venues is provided via partnership with third party executing brokers. These partners are carefully selected and used only when having been approved by the Firm through a process which evaluates both quantitative and qualitative factors. All third party brokers undergo a process of on-boarding, in order to determine their efficacy and their fitness for purpose. This evaluation takes into consideration the following factors, amongst others:

- a) Access to alternative markets and trading venues;
- b) Proprietary technology with availability of necessary customisation;
- c) Execution speed/latency;
- d) Quality of execution and service;
- e) Value added market knowledge/colour (from local/specialist or more general);
- f) Commission rates and prices/spread; g) Clearing and settlement efficiency and capabilities; and
- h) Risk profile, credit worthiness and reputation (including AML/KYC).

Relationships are monitored on an ongoing basis, including the application of strict counterparty exposure limits and assessment of the reputational risk of those brokers.

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Taking into account the purpose of different execution strategies (e.g. more liquidity seeking options are likely to be used where priorities are factors like execution speed rather than price) the relative efficacy of each algorithm is examined in accordance with Southey governance requirements. Poor performance will be highlighted for on-going monitoring with persistent underperformance potentially resulting in further action, including no longer using that counterparty as a broker.

### **iii. RTS-28**

As required under MiFID II, Southey will publish a list of its top 5 execution venues annually. This will be made available at [www.southeycapital.com](http://www.southeycapital.com).

### **iv. Costs**

Consideration of our own commissions or costs is never part of the selection process for execution venues or executing brokers or in respect of individual trading decisions, which are all based on the factors and criteria as discussed above and the provision of best execution to our clients.

### **v. Shares**

Southey is subject to the share trading obligation introduced by MiFID II and specifically MIFIR. Southey will select execution venues, including SI's and MTF's, so that all trades in shares admitted to trading on a regulated market or traded on a trading venue will be ultimately be executed on:

- a) a regulated market, multilateral trading facility ("MTF");
- b) systematic internaliser ("SI"); or
- c) a third country trading venue assessed by the relevant EU authorities as equivalent in accordance with Article 25(4)(a) of MiFID II via third party brokers.

### **vi. Fixed Income**

In the wholesale bond markets in which we operate it is normal practice for buyers and sellers to generally ascertain a quote by approaching counterparties bi-laterally. For Fixed Income securities all prices advertised by Southey are sent as "indications of interest" only.

As a professional client and experienced in the wholesale markets unless you advise us to the contrary we will assume that this is your normal trading behaviour when you trade with Southey. As with other asset classes, we will take all sufficient steps to obtain the best possible result for you by taking into account the execution factors above. With fixed income, best execution will often be dictated by the liquidity of the instrument, size of the order, issue size, the need for timely execution, price (e.g. if distressed), degree of subordination, any pre-agreed fee /spread charge (if required) and other relevant factors. In each case, we will exercise our own discretion in determining the factors to be taken into account save for when you have given us specific instructions.

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We will agree specific trading levels with you using information at our disposal such as Bloomberg ALLQ prices (whether CBBT, BGN, exchange prices or other listed prices), prices of similar instruments (where no such prices exists), or at a price as agreed between us.

## 5. Monitoring and Review

Southey will monitor compliance with The Policy on a periodic basis, including reviewing the associated arrangements in place to obtain the best possible results on a consistent basis for our clients and make enhancements or changes when and where appropriate.

Performance monitoring and review will primarily be undertaken on a quantitative basis, utilising data and analysis from a range of third party providers, combined with in-house tools developed on the trading desk. In addition, qualitative analysis is completed on an ad hoc basis, in line with the framework and schedule outlined below.

### i. Framework and Schedule

a) Market conditions will be taken into account during the execution of a client order. Southey will utilise industry standard data to evaluate the most optimal process. Southey will inform the client of any market conditions which might impact the efficacy of the execution strategy.

b) Post Trade performance analysis is undertaken on a T+1 basis, which measures execution against a number of relevant factors (including but not limited to period VWAP, arrival price, implementation shortfall, market impact, volume constraints, liquidity provision). Investigation of identified outliers is undertaken by the relevant trading desk, with the potential benefit of alternative strategies examined.

### ii. Policy Review

The Policy is reviewed on an annual basis or whenever a material change occurs that affects our ability to continue to obtain the best possible result for our clients.

We will notify our clients of any material changes to our order execution arrangements or The Policy in accordance with our Terms of Business.

### iii. Consent

We are required to obtain prior consent from our clients in relation to the Policy. Since we may trade outside a regulated market or MTF in respect of instruments admitted to trading by those means, we are also required to obtain our clients' prior express consent to this.

Required consents are obtained from our clients through acceptance of our Terms of Business and/or by conducting a business relationship with us by way of receipt of our products and services.