

## Canaccord Genuity Limited Order Execution Policy for Professional Clients

October 2019

### Introduction

Under the EU "Markets in Financial Instruments Directive 2014/65/EU" (MiFID II) and the rules of our regulator, the Financial Conduct Authority (FCA), we are required to have an order execution policy and to take all sufficient steps to obtain the best possible results for our clients when executing or receiving and transmitting client orders (referred to in this policy as the duty of 'Best Execution'). We should be grateful if you would provide your consent to this policy by one of the means outlined on the final page.

### Scope

This policy applies only to clients categorised by Canaccord Genuity Limited ('Canaccord Genuity') as Professional Clients and only to dealings in Financial Instruments, each as defined by MiFID II.

For the avoidance of doubt this policy and the duty of Best Execution does not apply to business conducted with clients who we have categorised as Eligible Counterparties under MiFID II nor to other brokers against whom we trade in the market.

### This duty of Best Execution only applies when executing orders "on a client's behalf".

We will be executing orders "on a client's behalf" where the client legitimately relies on us to protect their interests in relation to the pricing or other aspects of the transaction that may be affected by how we execute the order.

In assessing whether the client is legitimately relying on us to protect their interests we will consider various factors, including the nature of the client, whether the client initiated the order, market practice and whether there is a convention to "shop around", relative levels of price transparency in the relevant market<sup>1</sup> and information provided to the client<sup>2</sup>. One of the key factors, although not determinative of itself, is whether we are in a position to make decisions on behalf of the client about the manner in which we execute the order.

For example in the following situations Best Execution would apply:

- where a client leaves us with an order and we execute this on their behalf on one of our execution venues;
- where we advise the client to undertake a particular transaction and the client gives us an order following that advice;
- where we are working an order and we make decisions on how it will be executed including if all or part of the order is filled from our market maker's books;
- where we execute an order by dealing as riskless principal on behalf of a client, including where the client is charged a spread rather than a commission

In certain circumstances, applying the factors described above, we would not expect to be acting on a client's behalf and clients should therefore assume that Best Execution will not apply:

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<sup>1</sup> In certain markets, transparent prices may not be readily available to clients, and this indicates that the best execution obligation is more likely to apply

<sup>2</sup> The terms of business or other information we have provided should be clear on whether best execution generally applies or not, and this must reflect the economic reality of the relationship.

- where a client contacts our market makers or traders directly in order to deal with them based on their published quote. This applies to all instruments including fixed income and PIBS and Prefs as well as equities.
- where a client approaches us and requests, or having been approached by a client we offer and the client accepts the option of, a risk price to buy or sell a Financial Instrument rather than working the order over time, and the size of the client's order or the type of instrument is such that there is no transparency on pricing within the market and we cannot reasonably know what price the client may be offered elsewhere. In this scenario the client makes the decision as to whether or not to accept our risk price or to deal elsewhere;
- in PIBS and Prefs, where we are the only broker offering a price in these instruments, any transactions will always be executed against our own book, we will not act on behalf of clients wishing to transact in these instruments and do not charge commission for such trades but, where a client approaches us, we may quote a price and the client decides if they wish to accept that price.
- for certain OTC bonds (and other structured products) where a client approaches us for a price and there is no transparency on pricing within the market, the price is negotiated with a client who is an experienced professional and we do not charge commission, and that client decides if they wish to accept that price.

## Canaccord Genuity's Capacity in Executing Transactions

On most occasions the trade confirmation or contract note sent to a client will indicate Canaccord Genuity has acted as principal on the transaction. This does not always mean that we have put ourselves at risk by adopting a long or short position to satisfy the order. It means that Canaccord Genuity will sell to, or buy from, a client a number of securities after it carries out one or more of the following:

- adopting a principal position whether long or short as market maker or otherwise;
- adjusting a previously-held principal position whether long or short as market maker or otherwise;
- buying from or selling to another client or third party broker;
- buying or selling by using an order book facility;
- buying or selling through arrangements providing direct market access or access to a variety of algorithms.

The securities bought or sold using some or all of the above actions are then aggregated by Canaccord Genuity and sold on to, or bought from, a client to satisfy their order. Wherever possible in UK listed stocks Canaccord Genuity will execute a client's order subject to the Rules of the London Stock Exchange and the client's transaction will be trade reported to the London Stock Exchange and not on an OTC basis between us, unless specified at the time of trading.

## Execution Processes

When executing a client order Canaccord Genuity will take all sufficient steps to obtain the most favourable terms taking into account our regulatory obligations, any specific terms that the client may impose and the sequence that we receive orders. Where there is only one venue and therefore the only pricing consideration is execution time, comparable prices are precluded.

## Execution Factors and Execution Criteria

In considering how we might achieve the best possible result for an underlying client order, Canaccord Genuity will take a number of factors into account, including price, costs, speed, likelihood of execution and settlement, size, nature of the order or any other considerations relevant to the execution of that order.

On many occasions when executing an order for a client, our client will be a professional institutional client with skilled individuals with whom we will agree the execution strategy through regular communications between such individuals and our sales and sales traders. In such circumstances we may be acting on specific instructions of the client (see below).

**Price** will ordinarily be the most important factor for the client and thus merits a high relative importance in obtaining the best possible result. However, price will be affected by the size of the order. Most orders received by Canaccord

Genuity are in sizes significantly above the displayed size and accordingly there is likely to be a difference between the price attached to the displayed size and the price at which a much larger order can be executed. There may also be other factors that are important to a client and their order which may impact on price for example the need for **timely execution**: a client may rather lower his price expectation in favour of quick execution. Other relevant considerations may include availability of price improvement, the liquidity of the market and potential price impact.

In determining the relative importance of these factors, we will use our own commercial experience and judgement together with understanding the execution criteria of the specific client order including the nature of the client and their desired outcome, the particular financial instrument and the size of the order as well as the venues that are available to execute the order (including whether or not the transactions can be executed on a regulated market or over the counter). In practice the execution strategy, including the interrelation between price, speed and impact, will be discussed with the client unless the size is small when it will be assumed price is the most important factor, and Canaccord Genuity will continue to communicate with the client throughout the execution of their order to ensure the client understands the options and we achieve the best overall result for such client.

The quality and cost effectiveness of any related clearing and settlement facilities may be a relevant factor for financial instruments or markets in obtaining the best possible execution result, for example past clearing and settlement performance of third party brokers that we use to execute for foreign trades would be a consideration.

There are certain circumstances where the nature of the order and financial instruments limits the scope of Best Execution (see below).

Canaccord Genuity does not pass the **costs of execution** onto the client and thus does not believe this is a relevant factor in delivering Best Execution. These bargain costs, for example the cost of foreign settlement or trade reporting fees are absorbed by Canaccord Genuity.

**Likelihood of settlement** is not generally regarded as relevant to the majority of financial instruments that Canaccord Genuity executes orders in. The majority of orders are in securities listed on the London Stock Exchange or other regulated exchanges which are subject to the centralised clearing and settlement of that market place. However, in deciding the counterparty for an ETF or algorithm transaction where price is equal between venue/counterparty, their past settlement performance would be a relevant factor in taking all sufficient steps to obtain the best possible result for the client. In the event that there was one sole counterparty, Canaccord Genuity would not execute if it had doubts about that counterparty's ability to settle; in the event that the price was particularly favourable to the client, we would take instructions from the client before executing in these circumstances.

Furthermore, the FCA Conduct of Business rules (COBS) under COBS 11.2A 25(6) states that 'investment firms shall only receive third-party payments that comply with Article 24(9) of Directive 2014/65/EU and shall inform clients about the inducements that the firm may receive from the execution venues. The information shall specify the fees charged by the investment firm to all counterparties involved in the transaction, and where the fees vary depending on the client, the information shall indicate the maximum fees or range of the fees that may be payable.'

Canaccord Genuity does not engage in any form of inducements with our execution venues/liquidity providers.

## Execution Venues

The venues that we place significant reliance upon can be found at:

<http://www.canaccordgenuity.com/en/cm/SiteInformation/Disclaimer/UK-Disclosures/>

Canaccord Genuity may execute orders on venues or via brokers that are not included where we deem it appropriate in accordance with this order execution policy. We believe that the execution venues are appropriate to providing Best Execution to our clients as these venues enable us to obtain, on a consistent basis, the best possible result for the execution of client orders.

The choice of execution venues in certain circumstances, include consideration of our commissions or execution costs. The venue of execution does not change our commission rate. The cost to Canaccord Genuity of dealing with each execution venue is largely uniform in respect of the same security and the choice of venue is not affected by this factor. Thus, Canaccord Genuity does not unfairly discriminate between different execution venues. Where we are not responsible for the actual execution, but instead transmit a client's order to a third party, including other Canaccord Genuity affiliates, for execution, we will ensure that the third party is contracted to providing us Best Execution and we will monitor the quality of their execution.

In certain financial instruments, there may only be one execution venue, and in executing a trade in such circumstances we shall presume that we have provided the best possible result in respect of those types of financial instruments in terms of the venue selected. However, depending on the size of the order, market liquidity and the client's requirements, market impact and speed of execution may also be relevant factors in achieving the best overall result.

COBS 11.2A 25(3)(g) requires a firm to provide a summary of the selection process for execution venues, execution strategies employed, the procedures and process used to analyse the quality of execution obtained and how the firms monitor and verify that the best possible results were obtained for clients.

That information shall be provided in a durable medium, or by means of a website (where that does not constitute a durable medium) provided that the conditions specified in Article 3(2) are satisfied.

Canaccord Genuity's Best Execution Committee regularly assess the execution venues available to us in respect of any financial instruments that we trade to identify those that will enable us, on a consistent basis, to obtain the best possible result when executing orders on behalf of our clients. The list of execution venues will then be updated, where necessary, following such assessment. Clients should refer to the list from time to time for the current list of venues.

## Trading outside a Regulated Market, Multilateral Trading Facility ("MTF") or Organised Trading Facility ("OTF") (as defined in the FCA rules)

There may be occasions where we assess that achieving the best possible result in executing a client's order requires us to execute the order with a Systematic Internaliser. There may be consequences, however, of us doing so.

Under the FCA rules where an instrument is admitted to trading on a Regulated Market, MTF or OTF, we are required to obtain the client's prior express consent before we execute an order in such instrument outside of a Regulated Market, MTF or OTF (save where no Regulated Market, MTF or OTF is included in the list of Execution Venues for that particular asset class). **Your consent to this order execution policy by one of the methods set out below includes express consent to us to execute your order outside a Regulated Market, MTF or OTF.**

On request, we will provide you with additional information about the consequences of this means of execution.

### Method of Execution

Subject to any specific instructions that may be given by a client, in order to select an execution venue for an order, we will select the venue that is most appropriate when considering the Execution Criteria and relative importance of the Execution Factors specific to that order to achieve consistently the best overall result on behalf of our client.

In carrying out a client order, Canaccord Genuity will, where appropriate, use technology for routing, monitoring and executing orders such that the execution outcome is competitive and in the best interests of the client.

We have a number of third party brokers with whom we have agreements for direct market access and use of algorithms.

Subject to any specific instructions that may be given by the client, we will execute an order by one of the following methods or combination of methods:

- outside a Regulated Market, MTF or OTF by executing the order with a Systematic Internaliser (as defined by the FCA) or with a matching order from another Canaccord Genuity client; or
- via the arrangements we have in place for use of algorithms; or
- directly on a Regulated Market, MTF or OTF as a direct member or by using direct market access ('DMA') where we are not a direct member of the relevant Regulated Market, MTF or OTF or via a third party broker.

## Specific Client Instructions

Where a client gives us a specific instruction as to the execution of an order, we will execute the order in accordance with those specific instructions. Where the client's instructions relate to only part of the order, we will continue to apply our order execution policy to those aspects of the order not covered by the client's specific instructions.

**Clients should be aware that providing specific instructions to us in relation to the execution of a particular order may prevent us from taking the steps set out in our order execution policy to obtain the best possible result in respect of the elements covered by those instructions.** Where specific client instructions prevent us from following our policy, executing the order in accordance with the client's instructions satisfies our obligation to take all sufficient steps to obtain the best possible result for execution of the client order. By way of example, if the client specifies the venue of execution then the fact that the price is better on a different venue is not relevant to our delivery of Best Execution.

## Direct Market Access and Access to third party algorithms

Where a client chooses to execute an order through use of Canaccord Genuity direct market access, the client will select the parameters of the trade (such as price, counterparty, venue, the timing, the size and nature of interaction with your selected execution venue). In such a case we will treat this as the client having given specific instructions for the entirety of the order by use of the DMA system and we will be regarded as having satisfied any obligation of Best Execution.

Where we give a client access to use third party algorithms, we accept that we have a duty to monitor the performance of the algorithms against the client's stated benchmark and/or target strategy to ensure they are providing consistently the best possible result for the client in accordance with the client's stated trading strategy or where the client has selected the specific algorithm in accordance with its benchmark and/or target strategy.

## Reception and Transmission of Orders

Subject to any specific instructions that may be given by a client (see above), we may transmit an order that we receive from a client to another entity within the Canaccord Genuity group of companies (of which we are a member) or to an external entity, such as a third party broker, for execution. In doing so, we must act in the client's best interests and consider the Execution Factors and Execution Criteria above.

## Client Limit Orders

The FCA rules require unexecuted client limit orders to be made public immediately unless the client expressly instructs otherwise. **By consenting to this policy you are expressly instructing Canaccord Genuity not to make such unexecuted limit orders public.**

## Monitoring and Review

We will regularly in conjunction with our Best Execution Committee, (and, on at least an annual basis) monitor our order execution arrangements and their effectiveness, as well as the quality of both our execution and that of third parties (for example, execution venues and the brokers) to whom we have passed orders. Such reviews will enable us to identify and implement changes to our order execution policy and execution arrangements as necessary. We maintain an audit trail for all telephone and electronically executed orders which will assist us in ascertaining whether

the best possible result has been achieved. Clients should note that it may not always be possible to make an effective comparison of execution performance because reliable data is not always available for some markets or financial instruments. We are also obliged to produce on an annual basis an RTS 28 report providing qualitative analysis and information on the identity of execution venues and on the quality of execution. Canaccord Genuity's RTS 28 report can be sourced here:

<https://www.canaccordgenuity.com/capital-markets/regulatory-and-legal-disclosures/uk-regulatory-and-legal-disclosures/>

On request we can provide clients with independent reports from Markit regarding the quality of our execution of transactions on a client's behalf over a specific period or in respect of a specific transaction. Markit is available for transactions in listed securities undertaken in Europe, North America and Asia. In addition, where a client make a reasonable and proportionate request for information about our policies or arrangements in this area, and how they are reviewed, we will answer clearly and within a reasonable time.

This order execution policy and our order execution arrangements will be reviewed at least annually and whenever a material change occurs in respect of one of our trading venues, or otherwise that affects our ability to continue to obtain the best possible result for our clients on a consistent basis using the venues included in this policy. Clients will be advised of any material changes to our policy; such notification to be made via Canaccord Genuity's website at:

<http://www.canaccordgenuity.com/en/cm/SiteInformation/Disclaimer/UK-Disclosures/>

## Consent and Instruction

Regulations require that we must obtain clients' prior consent to this order execution policy. When, having been provided with a copy of this document, you give us instructions to deal on your behalf, you will be deemed to have provided such consent for your orders to be carried out in accordance with this order execution policy, save in respect of a) and b) below where we require your express instruction.

Please SIGN and RETURN the copy of this Notice to our Compliance Department, otherwise we will be prevented from achieving the best possible result where this is achieved by executing your order outside of a Regulated Market, MTF or OTF.

In addition, we need your express instruction for unexecuted limit orders not to be made public immediately.

**Please provide your instruction as soon as possible to this Order Execution Policy including inter alia to:**

- a) Canaccord Genuity Limited executing orders outside a Regulated Market, MTF or OTF; and**
- b) Unexecuted limit orders not being made public**

Please note than any refusal to accept any of these terms should be explicit and in writing to Canaccord Genuity Limited. Consent may be provided in writing to:

Canaccord Genuity Limited  
Compliance Department  
9th Floor  
88 Wood Street  
London EC2V 7QR

Alternatively you may email your consent to [executionpolicyconsent@Canaccordgenuity.com](mailto:executionpolicyconsent@Canaccordgenuity.com)

**Without your consent we will not be able to accept orders from you to be executed outside a Trading Venue.**

## Consent form to Canaccord Genuity limited order execution policy

We consent to Canaccord Genuity Limited's Order Execution Policy, including inter alia: -

- a) Canaccord Genuity Limited executing orders outside a Regulated Market, MTF or OTF; and
- b) Unexecuted limit orders not being made public immediately.

For and on behalf of:	
Authorised SIGNATURE(s):	
PRINT NAME(s):	
Dated:	