

# Best Execution Disclosure.

## **1. Interactive Investor Services Limited's commitment to you**

This document provides information to you about how we deliver Best Execution of your orders. It includes questions and answers we believe you might ask in order to understand what we do and why when satisfying our obligations to you.

## **2. Background**

The Interactive Investor Services Limited (IISL) trading service is designed to facilitate online trading in global securities markets. The IISL trading platform seeks to deliver as close to 100% Straight Through Processing (STP) as possible which reduces the need for manually intervention on trades and increase the speed of trade execution.

When handling your orders, we must take all reasonable steps to achieve best execution taking into account the execution factors within the meaning of the FCA rules.

To do this we have put together a Policy and related procedures designed to achieve what we consider the best possible result. It is important to note that this does not necessarily always equate to the best headline price for your orders. In addition to price IISL takes into account other factors to protect the best interests of our clients in the context of our Best Execution Policy.

## **3. Our relationship with you**

IISL will maintain the FCA permissions required to permit trading as an agency stockbroker. All IISL clients will be classified as retail clients for regulatory purposes affording you the highest protection under the regulatory regime.

## **4. What is Best Execution?**

Best execution is a regulatory obligation for us to seek the best terms reasonably available when executing your orders. We strive to obtain the best possible result for you taking into account the following factors as defined by the FCA:

- price
- cost
- speed
- likelihood of execution and settlement
- size
- nature
- any other consideration relevant to the execution of an order.

## **5. How do you determine your Best Execution Policy?**

Our approach to Best Execution is determined by our service to you. We aim to provide an online share trading service that seeks to execute trades without manual intervention and only placing orders with credit worthy institutions.

The FCA states that when executing a client order, IISL must take into account the following criteria:

- the characteristics of the client including the categorisation of the client as retail or professional;
- the characteristics of the client order;
- the characteristics of financial instruments that are the subject of that order
- the characteristics of the execution venues to which that order can be directed.

The Best Execution Policy is prepared with the above in mind by IISL's market experts who keep up to date with market practise and developments. The Policy is subject to review and approval at various levels within IISL up to and including the Board of Directors.

## **6. Does Best Execution mean you guarantee that the price I receive will always be the best quoted for my trade?**

IISL has balanced the factors involved in providing best execution in a way designed to deliver the online service we offer. We will generally give price the highest degree of importance for orders executed on your behalf, but we also need to consider other factors which are in our client's best interests. These include:

- the need for timely execution;
- availability of price improvement;
- the liquidity of the market (which may make it difficult to execute an order);
- potential price impact;
- the size of the order, the nature of the financial transaction; and
- the credit worthiness of the institution with whom we ultimately place your order.

For these reasons we only seek prices from the Retail Service Providers (RSPs) that meet our strict financial criteria.

Our service is designed to execute your order in its entirety on a STP basis, when possible, at the price you were quoted or better.

## **7. How do you treat specific instructions?**

We define a typical trade as an instruction to deal 'at best' in the market on the normal market settlement for that market (e.g. 2 business days (T+2) for UK equity markets). Anything beyond this would be classified as a specific instruction.

Acting on a specific instruction may prevent IISL from taking steps to obtain the best possible result when adhering to your specific instruction. IISL will still follow the criteria defined in our Best Execution Policy in the handling of your order and your specific instruction will be treated as having satisfied our best execution obligations.

When specific instructions cover only one aspect of the order this will not release IISL from our best execution obligations in respect of any other part of the order not covered by your specific instruction.

## **8. How do I know that my order was dealt in accordance with your Best Execution Policy?**

IISL uses an independently developed best execution monitoring solution. The solution provides market data and analysis tools that analyse market conditions and replay consolidated order books at the time of particular trades.

For UK equity trading, quotes received on an order are analysed against pre-defined tolerances in relation to the LSE best price post trade execution.

In addition, IISL has automated controls in place that prevent orders from being executed where the price quoted is outside a pre-determined tolerance, compared to the LSE Best Price. Quotes and subsequent executions within a set percentage band are flagged in real time, and a sample of these are reviewed to ensure the system is performing correctly on a daily basis. Upon review should it be deemed necessary an adjustment in the customers favour will be sought with the relevant RSP.

On a monthly basis for international trades the system produces a report to identify any trades that have been executed outside the Venues benchmark. Some prices executed outside

the benchmark can be justified by factors such as market volatility, trade volume, size of the order or specific instructions such as extended settlement. However, if an order executes at a price outside the benchmark it will be subject to challenge with the counterparty in question and amendment sought if it cannot be justified.

If you require further information about our Best Execution arrangements or an explanation of how your trade met our Best Execution Policy, please contact us and we will use reasonable endeavours to deal with such a request within twenty (20) business days.

## **9. How are UK Market orders routed?**

We route UK orders to an external execution management system which polls those Retail Service Providers (RSPs) that we have chosen based on the following criteria:

- Demonstrate a minimum of 6 months trading history as a Retail Service Provider.
- Satisfy due diligence undertaken by IISL based on Company Credit Reports provided by Creditsafe Business Solutions which take into account:
- Provide quotes for both buy and sell requests during the LSE mandatory
- Provide trade and transaction reports to the LSE or any other agreed venue.
- Comply with all regulatory and exchange rules. Any rule breaches and subsequent resolutions to be discussed at an Operational Service Review.
- There are no known operational risks from dealing with these counterparties on a manual basis, no adverse media and they have the technology to integrate with the external execution management system.

When you place a trade we poll the RSPs and will automatically display and trade at the best price returned. In the event that an order cannot be executed electronically you will be given the option to send the order through to us or to call in your order by phone. We will negotiate the price with a Market Maker by telephone with reference to any available electronically displayed prices. Unless the LSE best price is achieved in the first call, at least two competing quotes will be obtained.

## **10. How are international market orders routed?**

We route your international orders to counterparties who we consider to be established market leaders in the markets in which they operate based on the following criteria:

The following selection criteria are applied to ensure those counterparties can help IISL satisfy the above objectives:

- Ability to satisfy IISL best execution requirements
- Platform capability
- Market Model
- Trading, settlement & custody charges
- Market coverage
- STP capability
- BCP

They will either trade directly on the Primary Exchange or Multilateral Trading Facility (MTF) that offers the best price and liquidity for your order.

## **11. How are UK fund orders routed?**

In establishing venues for trading in UK funds IISL will enter into arrangements with selected counterparties whereby orders are transmitted to them for execution.

In developing and maintaining counterparty trading relationships IISL will connect to those counterparties that we believe can best assist in achieving the fund trading objectives outlined our Best Execution Policy.

## **12. How do you manage trading volumes during busy periods?**

There may be some instances where we are unable to poll all those RSPs on our platform. These would include during extreme market conditions or loss of electronic connection. In these circumstances we may poll a reduced number of RSPs to ensure that the order is executed in a timely manner. When this happens we will continue to ensure that we achieve the best price for the order from the RSPs polled.

## **13. How often is our Best Execution Policy reviewed?**

We commit to undertaking a review of our Best Execution Policy and order execution arrangements on an annual basis. We would also review and revise them should any material change occur that affects our order execution arrangements. This disclosure will be updated in line with material trading developments. Any updates will be reflected in this document and can be accessed via our website.

## **14. Execution Venues**

For UK trading, the venues we have selected are those RSPs who meet the criteria referred to above (see 'How are UK market orders routed?'). Whilst these trades are executed in agreement with the relevant RSP, they are subject to the rules of the London Stock Exchange (LSE) and, in terms of monitoring execution quality, we use the LSE to benchmark the prices quoted by our chosen RSPs. This is because the LSE is the dominant UK exchange for retail client orders with a comprehensive rule book designed to provide an orderly market.

For international trading, execution venue selection is undertaken by the counterparties we have chosen based on the international markets that we wish to offer.

We will regularly assess the execution venues and counterparties against our Best Execution Policy and related criteria to ensure we remain satisfied with them.

Under FCA Rules IISL must obtain the prior express consent from clients before proceeding to execute their orders outside a regulated market or an MTF.

Prior express consent differs from prior consent in that the "express" part means that the client is required to take positive action (such as "ticking" an online radial button) to provide consent.

IISL only executes client orders on the LSE (equities & ETFs). In all other circumstances (for example, international trading), IISL transmits to a selected counterparty. Should that counterparty execute the order outside a regulated market or an MTF, IISL is not required to capture the prior express consent of its clients before proceeding with the order.

The venues on which IISL facilitates client trades are outlined in the table below. We reserve the right to use other execution venues and third parties where we consider that it is appropriate to help us achieve best execution. We may from time to time add or remove an Execution Venue or third party from this list.

Financial Instrument	Execution Venue	Selection Rationale
UK Equities/ Covered Warrants / Exchange Traded Funds / Exchange Traded Commodities	UK RSPs (LSE Member firms) - executed bilaterally, but subject to the rules of the London Stock Exchange Please note: Details of the Top Five RSPs (in terms of trading volume) are published on our website at least annually. Further detail on the particular firms used by IISL is available on request.	RSPs are the primary liquidity providers for retail business in the UK
Government & Corporate Bonds	UK RSPs (LSE Member firms) - executed bilaterally, but subject to the rules of the London Stock Exchange	RSPs are the primary liquidity providers for retail business in the UK
European Equities	France - Euronext Paris, Chi - X, Turquoise. Belgium - Euronext Brussels, Chi - X, Turquoise. Denmark - NASDAQ OMX Nordic Exchange Germany - Deutsche Borse AG, Deutsche Börse AG Floor Market , Chi - X, Turquoise. Finland - NASDAQ OMX Nordic Exchange, Chi - X, Turquoise. Ireland - Irish Stock Exchange Italy - Borsa Italiana, , Chi - X, Turquoise. Netherlands - Euronext Amsterdam, , Chi - X, Turquoise. Spain – Bolsa de Madrid, , Chi - X, Turquoise. Switzerland - SIX Swiss Exchange, , Chi - X, Turquoise. Sweden – Stockholm Stock Exchange, , Chi - X, Turquoise.	Orders are routed to venues that will most likely make the best possible price for an instrument. (Sweden & Switzerland) Telephone trades only received and transmitted for execution on public order books
U.S Equities and Bonds	NASDAQ OMX Group New York Stock Exchange Citadel Execution Services Canaccord Genuity Citigroup Direct Edge/BATS KCG NYSE Arca Equities UBS Securities G1X OTC/NMS Two Sigma Securities Morgan Stanley Wolverine	Client order is directed to the venue that offers a price better than or equal to the National Best Bid or Offer.

<b>Canadian Equities and Bonds</b>	Toronto Stock Exchange TSX Venture Exchange1 Canadian Securities Exchange CSE Aequitas Lit Book Aequitas NEO Exchange Alpha Pure Omega Omega Lynx Nasdaq CXC (formerly Chi -X) Nasdaq CX2 (formerly CX) Triact Match - Now	Client order is directed to the venue that offers a price better than or equal to the National Best Bid or Offer.
<b>UK &amp; Off Shore Unit Trust and OEICS</b>	Respective Fund Manager CoFunds	Share class, Net Settlement and STP capacity
<b>Asia Pacific</b>	Australian Stock Exchange Hong Kong Stock Exchange Singapore Stock Exchange	Primary Venues