



**Under the rules set down by the Financial Conduct Authority (“FCA”) Gallardo Securities Limited (“GSL”, “We”, “US”, “Our”) is required to put in place an Order Execution Policy (“this Policy”). The aim of this document is to set out in sufficient detail and in an easy to understand way how we will handle the execution of our clients’ orders. This Policy should be considered alongside our Client Agreement and our Terms and Conditions which are available on our website or on request.**

### **5.1 Introduction**

The content of this document, prepared in accordance with the requirements of Article 27 of the Markets in Financial Instruments Directive 2014/65/EU (“**MiFID 2**”) and FCA Conduct of Business rules, and is a formalised statement of our existing approach to execution, reflecting our everyday practice when dealing with clients.

Our intention is, so far as possible, to exercise consistent standards and operate appropriate processes across all markets in which we operate. We also intend to provide our clients and other market participants with access to, where possible, tradable prices on a non-discriminatory basis. However, the diversity in those markets and instruments, what we know of our clients trading intentions and the kind of orders that may be placed, mean that different factors will have to be considered in relation to any transaction.

It is our policy to;

1. Establish and maintain execution arrangements and execution policies
2. Disclose our execution policies to our clients
3. Monitor the effectiveness of execution arrangements and execution policies
4. Conduct reviews at least annually
5. Demonstrate to clients that we execute orders in accordance with our execution policies

### **5.2 Scope**

We do not engage in regulated business with **Retail customers**

This policy is applicable to all orders received from and executed on behalf of our Professional clients and Eligible Counterparties (ECP) regarding Financial Instruments as described by Markets in Financial Instruments Directive 2014/65/EU (MiFID 2) Annex 1 Section C by.

We understand “a client order” to be an instruction from a client to buy or sell a financial instrument. There must be for that order to be considered as such;

1. An up to date client agreement with the client and acknowledgement of client category.
2. The client’s acknowledgement and agreement of our “Order Execution Policy”.
3. It must be transmitted in a proper manner, as set out in the “Client Agreement” but at the least in a recordable medium accepted by us.
4. Be transmitted to an authorised member of our trading staff by an authorised member of the client’s staff.
5. The order must be acknowledged and accepted.

### **5.3 Background**

The implementation of MiFID 2 has widened the responsibilities of Investment firms in respect of executing client business. The range of factors and the requirement to display that the best possible result has been achieved for the client and that the execution has been “fair” is at the forefront of the



Regulators aim to ensure the end investors are sufficiently protected, the market place has integrity and that there is sufficient competition between trading venues.

The regulator further requires Investment firms to take all “sufficient” steps to obtain the best possible result. This represents a significant step up in responsibility from the previous requirements to take all “reasonable” steps. The application of MiFID 2 in January 2018 will also place upon firms the increased responsibility to monitor all aspects of execution, including making regular and timely reports to their clients that support the fact that the best results are indeed being achieved. This policy sets out in detail how this will be achieved by us.

#### **5.4 Legislation Reference**

We acknowledge the regulators adoption of MiFID 2, especially Article 27 and 28, as well as relevant recitals, further guidance set out in subsequent questions and answer documents published by ESMA, FCA Consultation papers, FCA Policy statements and the amendments to relevant sourcebooks.

We further acknowledge the FCA has prescribed a higher level of expectations from Investment firms, has amended and in some cases re written the sourcebooks applicable to this area. We pay attention to FCA Principle 5,6,7 and 8, to Conduct of Business (“COBS”) Chapter 2 and 11 and Senior Management Arrangements, Systems and Controls (“SYSC”) Chapter 4 and 10

We do not execute client business against our own capital. We only trade on ‘own account’ when acting as a “matched principal”. We understand “matched principal” as;

“a transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never itself exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than previously disclosed commission, fee or charge for the transaction” (**FCA Glossary**).

#### **5.5 Business Model**

The firm offers investment services of;

1. Reception and transmission of orders in relation to one or more financial instruments (Arranging, receiving and transmitting orders)
2. Execution of orders on behalf of clients (Dealing as Agent)
3. Dealing on own account (only as matched principal)

#### **5.6 Client Category**

The firm is obligated by the regulator to categorise each of our clients. This will be reflected in our “Client Agreement” with you. We do not transact business with retail customers and therefore only transact business with those counterparties that fulfil the criteria of Professional or Eligible counterparty (“ECP”). We will not treat clients that have “opted up” from Retail Client status as an Eligible counterparty. In line with recital 104 MiFID 2, Article 30 (2) and Annex 2 we will treat Public bodies that manage public debt at national or regional level as professional clients. Otherwise, such entities should be treated as retail clients and therefore will be precluded from transacting business with us.

We recognise that the obligation with respect to best execution differs between the categories of clients which is reflected in this policy.



Once a client is classified as an Eligible Counterparty for the purposes of a particular instrument, that client may not then elect to be re-classified for the purposes of one transaction of a type it customarily undertakes. Exceptional circumstances may be considered at the time but we may decline to provide a service should a re-classification be requested.

### **5.7 Authorised Personnel**

The firm has staff with specific duties to negotiate and execute client business. In the present regulatory environment, they are authorised in the capacity of CF30 and their names may be cross referenced on the FCA register <https://register.fca.org.uk/>. These personnel have the primary responsibility for delivering best execution to those clients where it is owed.

Our staff will undergo, at least annually, training in respect of execution and order handling including regular CPD modules.

### **5.8 Best Execution**

It is a fundamental principle of our business that we will take **all sufficient steps** to obtain, when executing orders, the best possible result for our clients considering;

1. Price.
2. Costs.
3. Speed.
4. Likelihood of execution and settlement.
5. Size.
6. Nature or any other consideration relevant to the execution of the order.

We will also consider when executing orders and when choosing venues, the explicit external cost of a transaction which include;

1. Commissions passed on by intermediaries.
2. Fees.
3. Taxes.
4. Exchange fees.
5. Clearing and settlement cost.

When providing brokerage services to clients in relation to financial instruments we will take sufficient steps to achieve the best overall trading result. This means that we will aim to provide best execution subject to and considering the nature of your order, the prices available in the market, the nature of the market in question and a reasonable assessment of the sometimes overlapping and conflicting execution factors. This may conclude in some cases that price may be less important than size in illiquid situations. We will as a matter of course check and monitor the fairness of prices proposed as well as gather the market data used in the process of estimation of prices.

We will, where there is a specific instruction from the client, execute the order following that specific instruction. This may prevent us from implementing our execution policy and lead to best execution not being achieved. We may choose not to follow a specific instruction where it is clear that it will not lead to the best possible result for the client.

### **5.9 Trade Aggregation and Allocation**

FCA Principles require firms to conduct its business with integrity and treat its customers fairly. In applying these principles to when the firm aggregates and subsequently executes an order for a



customer (including a market counterparty) with an own account order or with another customer order, we will allocate the investment concerned fairly to all clients. Comparable client orders communicated to us in the same form will be carried out sequentially and all client orders will be handled in a timely fashion, unless the characteristics of the order or prevailing market conditions make this impracticable, or the interest of the client requires otherwise

### **5.10 Aggregation**

As a rule, we will not aggregate orders if it is likely to work to the disadvantage of any of our customers. However, we have specifically disclosed in our terms of business that we may aggregate customer orders with other customer orders or with own account orders and that such aggregation may, on occasions, work to their disadvantage.

We may work your order by executing it in more than one transaction during the course of a trading day, or aggregate your order with orders of our other clients and execute them as a block or in multiple transactions. In such cases it is our policy to provide you with an average price confirmation which summaries the aggregate amount of securities purchased or sold and the average price of the executions.

We undertake to not carry out your order in aggregation with another client order unless the following conditions are met:

1. It is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated; and
2. It has been disclosed orally or in writing to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order.

We will not aggregate your order with orders of our other client if you expressly instruct us orally or in writing not to do so.

### **5.11 Allocation**

When allocating an aggregated transaction, we will not give unfair preference to ourselves or to any of those for whom we have dealt and, where the aggregated total of all orders has not been completed in full, we will give priority to satisfy customer orders, unless we can demonstrate on reasonable grounds that without our own participation it would not have been able to execute those orders on such favourable terms, or at all.

### **5.12 Execution Factors**

We will consider several additional factors when seeking to deliver best execution;

1. The characteristics of the client.
2. The characteristics of the client order.
3. The characteristics of the execution venues to which that order can be directed.
4. The characteristics of the financial instruments that are subject of that order.
5. Price and cost of execution.
6. When executing orders or taking decisions to deal in bespoke products the investment firm shall check the fairness of the price proposed to the client by gathering market data used in the estimation of the price.



### **5.13 Exemption from the provision of Best Execution**

We will within our client agreement state to all our clients in which client category they are classified. We do not deal with clients categorised as Retail Customers. Each client will agree with us in which client category they fall before any business can be transacted. If you are classified as ECP we will require you to submit to us a declaration that you wish to be treated as such. We will always treat our customers fairly in whatever client category they fall, but we will not owe clients best execution in certain circumstances, we will in these cases always manage any Conflicts of Interest appropriately and we will take all steps to prevent conflicts from adversely affecting the interests of our clients;

1. If you are classified by us as an ECP.
2. Where we supply or respond to a “request for quote” and unavoidable conflicts of interest arise, for example where we have received a quote from a counterparty on a restricted basis. In these cases, we will take all appropriate steps to identify and manage those conflicts.
3. We have an obligation to provide best execution where we receive a firm and clear order from a Professional Client to buy or sell a financial instrument. However, we have no such obligation where we merely provide prices to a client at which counterparty is willing to buy or sell or where the client contacts us in an unsolicited way and asks us to provide a quote for a particular financial instrument.
4. In the wholesale derivatives and bond markets (and for the avoidance of doubt this would include derivatives in Equities, Energy and Commodities) in which we operate on a “request for quote” basis, it is normal market practice for buyers and sellers to “shop around” by approaching several brokers/dealers for a quote. In these circumstances we are under no obligation to provide the buyer/seller with a comparison of its prices with those of its competitors and there is no expectation between the parties that the broker/dealer chosen will owe a best execution obligation. As a sophisticated participant in the wholesale markets, unless you advise us to the contrary, we will assume that this is your normal trading behaviour.
5. Where you provide instructions or where we provide either “an indication of interest” or a “request for quote” that you accept by executing a transaction, we will not in general be executing your order. In these circumstances, we will take your best interests into account but will not be deemed to be acting on your behalf and the best execution responsibilities will not apply.
6. Brokers acting in a name passing capacity are receivers and transmitters of orders but in carrying out their activities they do not receive and transmit orders for execution. Where orders are not transmitted for execution, the requirement to provide best execution will not apply.
7. Where we are required to unwind a client position (for example, where a client is in default under a contractual obligation) we will not owe that client a duty of best execution in relation to the trades undertaken to unwind the position.
8. Where we Provide Direct Market Access (“DMA”) and you self-direct all or part of your order directly to a regulated market or an MTF, we will not be subject to and therefore will not offer best execution for that order or any part thereof.
9. When you give an offer, take a bid or place an order on a multilateral trading facility (MTF), the best execution provisions will not apply to the operator of the MTF and these obligations will fall on the user of the system.
10. Where any of the other exemptions mentioned in the Policy apply.

### **5.14 Order Handling**

It is our regulatory obligation to have in place systems which will facilitate the prompt, fair and expeditious execution of client orders, relative to other client orders or trading interests of the firm.



The regulator requires us to set out in our execution policy with regards to how we will execute client orders and what factors we will consider. We will normally receive orders with reference to the financial instrument, the price, the size of the order or all three. Where the client gives us guidance outside a specific instruction, we will follow that guidance as closely as possible but we will not take casual guidance as a specific instruction.

### **5.15 Limit Orders**

Where a client gives us a limit order we will attempt to execute immediately. If that order is not executed under the prevailing conditions of the market we will make it public, by placing that order on a trading venue in a manner that is easily accessible to other market participants. Where we may reasonably conclude that it is not in the best interests of the client, for e.g. where an order is large in scale relative to the market we may not.

We will tailor our execution strategy according to the;

1. Class of financial instrument.
2. Level of instruction the client has given – specific or guidance.
3. The venues that financial instrument may be traded across.
4. The size of the order in relation to the liquidity in the market place.
5. The time scale the client has indicated.
6. The timescale it would be appropriate to use to complete the order.

We will habitually use the venues and strategies disclosed in this policy but also where appropriate, and where we feel that a better result for the client will be achieved, the “call around” market. We may further deviate from a venue or a strategy where we may reasonably obtain more favourable terms for the client

### **5.16 Trading Strategies**

Our overarching policy is to adopt strategies and venues that will give our clients a consistent quality of execution. The quality of execution will be measured over a period of time no longer than one year; it will not be measured on a trade by trade basis.

We will use different strategies for different financial classes; indeed we may adopt different strategies for two financial instruments within the same financial class of instruments. We understand for example that in the equities market there are shares with high degrees of liquidity where it is entirely possible to execute a trade in “one hit” and other shares where the same notional amount will take several hours to trade.

In exchange traded instruments and where technology allows us, we may use a suite of algorithmic strategies to achieve best execution. This may be facilitated via a third party receiving broker. We will electronically or occasionally manually transmit client orders to the receiving broker for it to execute under its exchange memberships. The choice of these strategies will differ between exchanges, financial classes of instruments, state of the market and sometimes time of the day. These may include the following;

1. Iceberg orders.
2. Percentage of the volume.
3. Limit orders.
4. Market on close.
5. VWAP volume weighted average price.
6. TWAP time weighted average price.
7. Fill or kill.

We engage our clients on both an electronic and voice basis. We may arrange trades on a ‘name passing’ basis however, there are two other brokerage business models: ‘matched principal’ and ‘exchange give-up’ we may use.



In the cash equity products, we may act as ‘matched principal’ to the trade to provide anonymity and ensure client confidentiality to its counterparties. We may engage in aggregation of trades to reduce the number of settlement counterparties where appropriate. All these trades are subject to transaction and trade reporting obligations. Fixed income products previously traded OTC must be executed over a venue (MTF or OTF) unless on a truly bilateral basis or are deemed not to have a trading obligation.

### **5.17 OTC Transactions**

It is our policy to achieve the best possible result for our customers which in some cases will provide for the possibility of client business being transacted outside a trading venue. This will only occur where the circumstance and the financial instrument are appropriate. We will always obtain prior express consent which will be referred to in our client agreement or in respect of individual transactions.

### **5.18 Name Passing**

The name passing brokerage model is the traditional model, through which the broker takes on an arranging role in a transaction between two or more counterparties. The broker, through price dissemination, distributes quotes to other market participants showing both price and volume. For voice brokered products, these prices and volumes are dependent upon market convention, either firm or indicative levels of interest, and must be confirmed prior to the trade being completed. For electronic brokered products through MTFs, these prices and volumes are typically firm and are traded without further communication.

Once the trade price, volume and terms have been agreed, either through further conversation with the broker or with the direct hit or taking of prices on an MTF, the counterparties’ names are disclosed and the broker steps away from the transaction. Bilateral agreements are then enforced between the counterparties and the broker will invoice the brokerage fee monthly

### **5.19 Exchange Give-Up**

In addition to name passing and matched principal brokerage models, brokers can facilitate the trading activity of their clients on derivative exchanges (e.g. ICE, Eurex, CME, etc). Upon receiving the relevant price information from the broker, the client will instruct the broker to place an order on the appropriate exchange, either in its own name (if a member of the exchange) or through a third party. The broker can provide the client with an indication of the market based on the current price and volume activity on the exchange.

Once the execution has occurred, the executed position is then given-up to the client through the clearing services of the exchange clearing house. This process typically occurs within the day and so the broker will have no house position at the end of each day. During the give-up process the broker will maintain a daylight position until the trade is taken-up by the client.

At the end of each month, the broker will invoice the client for the trading activity during that month.



A derivation of this business model is where a transaction is negotiated outside a trading venue and subsequently crossed on exchange to provide the clients with a settlement process through a central counterparty (CCP settlement).

1. Asset Classes
2. Equities
3. Bonds
4. Exchange Traded Derivatives ETD

## **5.20 Execution Venues, Monitoring and Disclosure**

### **5.20.1 Compliance Monitoring**

We will make regular assessments of transactions in order to determine whether the firm has complied with our execution policy and if the resulting transaction has achieved the best possible result for the customer. We will set out separately, in our best execution monitoring programme, the methodology used for this process.

If our monitoring shows that there are shortcomings we will consider if it is because of a deficiency in our policy or arrangements, we will then make appropriate amendments. We will do this in a proportionate way but it will include;

1. Front office monitoring
2. The use of transaction cost analysis to communicate with clients
3. Venue or third-party broker selection
4. The scope and scale of monitoring for different financial products and in what capacity we act

### **5.20.2 Venues**

We may transact trades on your behalf on any of the execution venues detailed in Annexes below. The list is not exhaustive but consists of those on which we place most reliance. We reserve the right to use other execution venues where it is deemed appropriate to comply with the best execution requirements. Where we invite you to choose the execution venue or entity, the information given to you will be fair, clear, not misleading and sufficient for you to make an informed choice.

As part of our business model we will always set out to cover as many venues as is practically possible. In general, we will pursue the venues that offer us the best chances of achieving the best possible result for the customer on a consistent and regular basis. These considerations include;

1. Volume.
2. Price spreads.
3. Financial instruments traded.
4. Technology.
5. Location.
6. Trading hours.
7. Explicit external costs including fees.
8. Total consideration of transaction.
9. Visibility.
10. Quality of data.
11. Reliability of fills and clearing.
12. Counterparty risk.
13. Access.





We are required to;

“Include in respect of each class of financial instruments, information on the different venues where the investment firm executes its client orders and the factors affecting the choice of execution venue. It shall at least include those venues that enable the investment firm to obtain on a consistent basis the best possible result for the execution of client orders” Article 27 (5).

This Policy sets out the venues on which we may transact your order and which we have identified as those that offer the best prospects for achieving the best possible results for you. We will monitor the effectiveness of our order execution arrangements and execution policy to identify and, where appropriate, correct any deficiencies. We will also, on a regular basis assess on a qualitative and quantitative basis whether the venues chosen are providing the best possible results for our clients. When selecting the venue on which to transact trades we will take suitable measures to ensure that the selected venue obtains the best possible trading result for our clients on an overall basis and not a trade by trade basis and therefore we are under no obligation to obtain best execution for every client order.

We will summarise and make public annually, the first publication will be no later than April 2018, the top five venues for each class of financial instrument in terms of;

1. Trading volumes where we execute client’s orders.
2. Information of the quality of execution obtained.

We will further disclose for the top five venues;

1. Venue name.
2. Class of financial instrument.
3. Number and volume of client orders executed on that venue measured against total executed orders.
4. Percentage of passive and aggressive orders and if they were directed or not.
5. Confirmation of whether we have executed an average of less than one trade per business day in the last 12 months.

We will summarise the analysis and conclusions taken from the monitoring of the quality of execution obtained on the execution venues. This will include;

1. The relative importance we place on execution factors of price, cost, speed etc.
2. A disclosure of any specific arrangements we have with trading venues regarding discounts, payments or rebates etc.
3. Explanation of how factors outside already stated considerations were instrumental in delivering Best Execution.
4. Explanation of how we use data collected from or monitoring processes.
5. Disclosure of close links, conflicts of interest or common ownership of execution venue.
6. Description of factors leading to the use of or the ceasing of using a specific venue. We undertake to disclose any material change to the firm or execution factors or venues.
7. Where we use the output of a consolidated tape.

We further undertake to disclose any material change to the firm or execution factors or venues. When fees applied by us differ from venue to venue we will provide clients with information in an easy to understand way so you may understand the advantages and disadvantages of one venue over another. Where we invite you to choose the execution venue or entity, the information given to you will be fair, clear, not misleading and sufficient for you to make an informed choice.



### **5.21 Order Routing, Third Party Payments**

We will habitually route orders to different venues depending on where the best possible overall result for the client can be achieved. We understand that different venues have different pricing structures, which we will consider when executing orders. We will not accept or receive any remuneration, discount or nonmonetary benefit from a venue that does not comply with our obligations to the regulator and if such a benefit were to be received it will be disclosed to the client.

On occasions, to act in your best interests, we may execute orders using a Direct Market Access (“DMA”) mechanism or route an order through a third party for execution. In these circumstances whilst the deal will be with a third party, we retain execution control and will assess whether the third-party broker is achieving the best results in the relevant markets.

We can transact trades on your behalf in any of the execution venues listed. The venues have been selected either on the basis that they are the only venue available for the relevant product or because we consider they enable us to obtain on a consistent basis the best possible result for the execution of each relevant client order.

Where we use automated systems to route and execute client orders, it will be routed to the best execution venue as determined by the criteria above. Certain large orders that require specialist handling (for example to minimise market impact or price distortion) will be managed by our execution staff.

As a general guideline, price will merit a high relative importance in obtaining the best possible result for our clients. However, illiquid and negotiated financial instruments, price is likely to be more closely inter-related with, and dependent on, the size of the order and the available liquidity.