

# DART CAPITAL

## Best Execution and Client Order Handling Policy

April 2019

### Contact us

**Richard Whitehead**

[richard.whitehead@dartcapital.com](mailto:richard.whitehead@dartcapital.com)

#### **Dart Capital**

4 Eastcheap London EC3M 1AE

Tel: 020 7283 1117

Fax: 020 7283 0891

Dart Capital Limited is registered in England and Wales.

Company number: 2146006

Dart Capital Limited is authorised and regulated by the Financial Conduct Authority. FCA registered number: 137569

### Introduction and Purpose

Dart Capital Limited "DC" is required to act honestly, fairly and professionally in accordance with the best interest of clients when providing investment services.

This Best Execution and Client Order Handling Policy sets out how DC will ensure that all sufficient steps are taken to obtain the best possible result for all clients and that their orders are handled in a fair, just and timely manner.

### Definition

Best execution is the obligation on a firm to take all sufficient steps to obtain the best possible result when executing client orders or placing orders with other entities to execute. There are a number of execution factors to consider when delivering best execution including price, cost, speed, likelihood of execution and settlement, size and nature of the order.

### Application

This Best Execution and Client Order Handling Policy applies to DC when executing client orders or placing orders with (or transmitting orders to) other entities for execution.

This Best Execution and Client Order Handling Policy applies to all financial instruments for which DC carries out orders on behalf of its clients. This Best Execution and Order Handling policy will not apply to the extent DC follows specific instructions from a client when executing client orders or placing an order with, or transmitting an order to, another entity for execution.

---

# Policy – Best Execution

## General Obligation

The best execution obligation requires DC to ‘take all sufficient steps to achieve the best possible result on a consistent basis’ rather than in every case.

In practice, DC has implemented Best Execution mechanisms, including:

- ensuring this policy is designed with the intended outcomes in mind;
- front-office accountability;
- systems and controls and detection capabilities to identify any potential deficiencies; and
- monitoring of the execution quality obtained as well as the quality and appropriateness of the execution arrangements.

Please note that specific instructions from a client may prevent DC from achieving best execution in line with this policy.

## Execution Factors

DC will assess best execution by taking into account the “execution factors” which include price, costs, speed, likelihood of execution and settlement, order size, execution reliability of executing custodian or broker, nature or any other consideration relevant to the execution of the order. Please see Appendix 2.

DC will exercise judgement in the best interests of its clients given their different needs and requirements and is required to take into account several criteria to determine the relative importance of the execution factors:

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

DC is responsible for assessing the relative importance of the execution factors in light of these criteria and the process by which it determines the relative importance of those factors. This may result in a range of different permissible approaches to executing client orders based on each financial instrument we trade.

## Deciding Execution Venues

DC is obliged to ensure that Custodians or Brokers included in this policy are the ones who will assist the firm in complying with its best execution obligations (by delivering the best possible result) and that orders are passed to those Custodians or Brokers in accordance with the policy.

In choosing the Execution Venues for a particular instrument class, DC has taken care to select those Execution Venues that, in the firm’s view, will enable it to obtain on a consistent basis the best possible results for its clients.

## Custodians, Brokers and Execution Venues

A list of approved custodians, brokers and execution venues is kept by DC and is reviewed, at least annually, or whenever a material change occurs that affects the ability to continue to obtain the best possible result for clients. Appendix 1 currently identifies, in respect of each class of instrument traded, the execution venues and entities with which orders are placed or to which DC transmits orders for execution. The following outlines DC’s approach to selecting counterparties. Generally DC does not invite its clients to choose an execution venue. The firm will maintain a separate register listing the brokers used which can be provided upon reasonable request.

## Placing Orders with Custodians or Brokers

In choosing a custodian or broker from the approved list, DC has taken care to select those Custodians or Brokers that, in DC’s view, consistently provide a high quality execution service in relation to that type of investment instrument. Where DC places an order with a Custodian or Broker, DC is not responsible for controlling or influencing the arrangements made by the Custodian or Broker relating to the execution of that order (e.g. DC does not control the Custodian or Broker’s choice of execution venues, such as

---

exchanges, multilateral trading facilities or internal dealing facilities). DC is not required to duplicate the efforts of the Custodian or Broker to whom an order is passed in ensuring the best possible result.

### **Direct Execution of Decisions to Deal**

In the case of transactions that DC itself executes directly on behalf of clients, the Execution Venues on or with which it executes those transactions. The Execution Venues identified must at least include those that enable DC to obtain on a consistent basis the best possible result for the execution of client orders.

Where DC is dealing with brokers on a request for quote basis, and orders are not placed with the broker for execution, then the counterparty is classified as an "Execution Venue".

### **Executing/Placing Orders with Execution venues/Custodians and Brokers that are not on the approved list**

DC's employees must not place orders with a Custodian or Broker that has not been approved unless there are exceptional circumstances. Any execution of a transaction with an Execution Venue or placing of an order with a Custodian or Broker that falls outside the approved list must be pre-approved by a member of senior management.

### **Best Execution Considerations for Each Instrument Class**

DC's assessment of the relative importance of the execution factors in relation to decisions to deal in each Instrument Class is detailed in the table Appendix 1. This policy differentiates between each of the separate categories of financial instrument where DC's clients invest.

### **OTC products**

When executing orders or taking decision to deal in OTC products including bespoke products, DC will check the fairness of the price proposed, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

### **Inducements**

DC shall not structure or charge its commissions in such a way as to discriminate unfairly between execution venues or custodians and brokers.

DC shall inform clients about inducements it may receive from execution venues.

### **Client notification/consent requirements**

DC will provide its clients with appropriate information on this policy. In order to comply with this obligation, DC has sent its clients a summary of this policy which is also available on the website along with the list of top five execution venues for each financial instrument (DC currently only executes via 3 venues). To the extent that DC makes any material changes to this policy (whether pursuant to the review process or otherwise), the firm will notify the changes to its clients. Compliance will ensure that such notifications are made.

### **Annual publication of information on the identity of execution venues and on the quality of execution**

Upon request from a client, DC shall provide its clients or potential clients with information about entities where the orders are transmitted or placed for execution.

DC will make public on its website on an annual basis the top five execution venues or investment firms in terms of trading volumes where it transmitted or placed client orders for execution in the preceding year in accordance with the technical standards for each financial instrument it trades.

The format for disclosure is outlined in the attached technical standards - <http://ec.europa.eu/transparency/regdoc/rep/3/2016/EN/3-2016-3337-EN-F1-1-ANNEX-1.PDF>.

DC will also publish on its website an annual assessment of the execution quality obtained on all execution venues for each class of financial instrument. The information includes, for each class of financial instruments, a summary of the analysis and conclusions drawn from the detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year including:

- an explanation of the relative importance the DC gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;
- generally, DC does not charge its clients for the placing of orders and costs paid to the execution venue will relate entirely to the associated execution costs. However, in rare instances this is not fitting, the firm will notify its client;
- an explanation of the factors that led to a change in the list of execution venues listed in the execution policy, if such a change occurred; and
- an explanation of how DC has used any data or tools relating to the quality of execution.

Reports should be made public on or before 30th of April following the end of the period to which the report relates.

## Policy – Client Order Handling

### General Obligation

DC will implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders (“the Orders”) and to allocate Orders fairly when it conducts transactions involving several clients in the same security at the same time. This Order Handling and Allocation Policy sets out the procedures and arrangements that DC has implemented to meet these obligations.

### Allocation Factors

The nature of DC’s business requires it to select from a large array of possible eligible investments that are appropriate to its clients. It must decide on the quantity that is prudent to purchase, to which clients they should be allocated and in what size.

Trades will be allocated to clients on a basis believed to be fair and equitable; no client will receive preferential treatment over any other.

In determining the suitability of each investment opportunity to a client, consideration will be given to a number of factors, the most important being the client’s investment objectives and strategies, existing portfolio composition and cash levels. Having considered these factors and prior to executing any transactions, DC will determine the allocation of an order for each client.

### Order Handling

If an order is made by one client only, it is executed in the normal manner in accordance with the Best Execution Policy and the entire execution is allocated to this client. DC will ensure that any Orders executed on behalf of clients are promptly and accurately recorded and allocated.

DC will carry out otherwise comparable Orders sequentially and promptly unless the characteristics of the Order or prevailing market conditions make this impracticable, or the interests of the client require otherwise. DC will inform clients of any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty. DC will not misuse information relating to pending client orders, and shall take all reasonable steps to prevent the misuse of such information by any of its relevant persons.

No allocations will be made to a personal account of the firm.

### Aggregation and Allocation of Orders

The portfolio management team will not carry out a client Order in aggregation with another client Order unless the following conditions are met:

- It is unlikely that the aggregating of orders and transactions will work overall to the disadvantage of any client whose Order is to be aggregated; and
- It is disclosed to each client whose order is to be aggregated, either orally or in writing and either specifically or in the terms of business that the effect of aggregation may work to its disadvantage in relation to a particular Order.

---

DC places Orders on a first come first served basis. Where an investment opportunity is suitable for two or more clients, DC will allocate the opportunity equitably in order to ensure that clients have equal access to the same quality and quantity of investment opportunities, and in determining such allocations will consider the Allocation Factors.

DC will only aggregate client orders if they initiated with the same set of execution instructions, if they are initiated on the same day and if they follow exactly the same order chain (e.g. same custodian).

In the first instance, orders will be allocated according to the size of the original order. Where this is not possible, for example because the order is not filled, then in order to ensure fairness, all deals will be allocated in accordance with the pre-trade allocation. Where changes are made to the pre-trade allocation, records are maintained of the changes made and the reason. DC will generally allocate trades on a pro-rata basis, based upon capital weighting, subject to the consideration of the Allocation Factors and the treatment of partial executions.

If an order is received from one client and, whilst this is being executed, other clients give orders in the same instrument, then the execution will go to the first client until the subsequent order was received and then executions will be prorated subsequently. Such orders will also be subject to further review to ensure that no front running has occurred. In the event that front running has occurred, the subsequent order may be cancelled or re-allocated.

If an aggregated order is partially executed, the order will be settled for the different clients on a pro-rata basis, according to the contribution made to the aggregated order. The order management system of DC is designed to only permit pro-rata allocation whenever an aggregated order is only executed.

When allocating aggregated orders, DC must not give unfair precedence to any party involved. All deals must be allocated prior to execution. If deals are not pre-allocated then the reason must be recorded.

If an error is identified in an allocation, a re-allocation may be made for an aggregated order. In such cases, a record of the reason for and the basis of the reallocation must be fully documented, and the re-allocation will be completed within one business day of the identification of the error.

Allocation records for aggregated transactions must include the time and date of the allocation; the relevant product; the client's identity and any eligible counterparty and the amount allocated to each client and party involved. DC is required to retain the records relating to aggregated orders for a period of at least 5 years from the date on which the order is allocated or reallocated.

## Procedures

DC will adopt the following procedures to monitor the effectiveness of its order execution arrangements and this policy as well as be able to demonstrate to clients that it has acted in accordance with this policy.

### Front Office Monitoring

The systems necessary to record and monitor orders and executions lie within the portfolio management team. Therefore, all orders must be made through the portfolio management team. Additionally, all confirmations, if not communicated direct, will be passed to the portfolio management team.

It is solely the job of the portfolio management team to monitor the quality of executions, and ensure compliance with FCA regulations and to also ensure proper control. Authorised traders (dealing and managing) are presently listed on the FCA's register as holding CF30 Customer Function. These individuals are responsible for checking and signing off all trades prior to execution. This approval may not be received from anybody else. Orders made by others, risk not being recognised.

The portfolio management team is responsible for keeping copies of orders and trade confirmations.

---

## **Compliance Monitoring**

The compliance monitoring process will involve a periodic review by compliance of a random sample of transactions to ascertain whether the best possible result was obtained in respect of those transactions. This review will be conducted via the unavista platform.

Compliance has set out various factors that will identify transactions that require further investigation to determine whether Best Execution was achieved.

For transactions where price was the most important execution factor, this will involve a review of prices that were available at the time of execution. Where better prices than the price obtained were available, compliance will discuss this with the relevant member of staff who effected the transaction and determine whether, bearing in mind the other factors that the portfolio manager/trader considered to be of importance (e.g. size and nature of order) at the time, the best result was nevertheless achieved.

Where another execution factor was the most important (e.g. speed of execution), compliance will consider whether the best possible result was achieved in terms of that factor and again whether, bearing in mind the other factors that the portfolio manager considered to be of importance at the time (e.g. price, size and nature of order), the best result was nevertheless achieved.

Compliance, as owner of this policy, may make changes to this policy depending upon the outcome of the monitoring process. The monitoring of the adherence to this policy and the record keeping forms part of the Compliance Monitoring Programme performed by Compliance.

## **Review**

At least annually, DC will review this policy to ensure it is capable of delivering best execution on a consistent basis and orders are handled in a fair, just and timely manner. DC will also review this policy and/or its execution arrangements whenever a material change occurs that could affect its ability to obtain the best possible result for the execution of its clients' orders. What is material will depend on the nature and scope of any change. This could include close links, conflicts of interests and common ownerships with respect to any execution venues used to execute orders.

The reviews will be supervised by compliance and this requirement has been incorporated into DC's compliance monitoring process.

# Appendix 1: Detailed Requirements of the Execution Policy for each Instrument Class

Instrument Class	Execution Factors
<p><b>Cash Equities</b></p> <p>This Instrument Class includes equities, warrants and depositary receipts and equity CFDs.</p>	<p>We do not currently actively trade Cash Equities in our Discretionary Portfolio's. Should we undertake trades in these Instruments, the following would apply:</p> <p>In relation to transactions in Equities, the portfolio manager will usually trade via the clients chosen Custodian.</p> <p>The firm uses the Brokers and Execution Venues listed on the GATEway system.</p> <p>Where the order is to be executed directly with an Execution Venue (Custodian), the portfolio manager will often check prices quoted by/available on at least two Execution Venues. However, in circumstances where the portfolio manager/trader considers that speed of execution, certainty of execution and/or market impact are important execution factors, he or she is permitted to deal on the basis of the prices quoted by/available on a single Execution Venue.</p> <p>For smaller orders, the portfolio manager will on many occasions consider that price is the most important execution factor. Other execution factors are permitted to be taken into account at the discretion of the investment committee and relevant portfolio manager as is appropriate for the size and nature of the relevant order (and one or more of these other factors may displace price as the most important factor).</p> <p>Where the order is to be passed to a Broker for execution, the investment committee and portfolio manager will trade via a Broker. If on the rare occasion, the instrument is traded via a Broker from among the list that, in the portfolio manager's view, has a track record of achieving the best result in terms of the relevant execution factors (taking into account the various Brokers' geographic and product coverage). As an additional safety measure, DC would make use of limit orders to ensure that its orders are executed at desirable prices.</p> <p>For larger orders, the portfolio manager will often consider that certainty of execution, reduction of market impact and speed of execution will have greater importance and these factors will often drive the portfolio manager's decisions as to whether to pass the order to a Broker or to execute directly with an Execution Venue (Custodian). Often, to ensure quick executions and minimum market impact such orders may be split among multiple brokers.</p>

<p><b>Bonds</b></p> <p>This Instrument Class includes corporate and government bonds, convertible and exchangeable bonds, commercial paper, asset-backed securities, mortgage-backed securities, certificates of deposit and structured debt securities.</p>	<p>In relation to transactions in bonds, the portfolio manager will usually trade via the clients chosen Custodian.</p> <p>If on a rare occasion we traded via a Broker/Execution Venue the portfolio manager would consider that price (including costs) is the most important factor. Other execution factors are permitted to be taken into account at the discretion of the relevant portfolio manager as is appropriate for the size and nature of the relevant order.</p> <p>For larger orders, the portfolio manager will often consider that certainty of execution, reduction of market impact and speed of execution will have greater importance and these factors will often drive the portfolio manager's decisions as to which Broker/Execution Venue to pass the order to.</p>
<p><b>OTC Derivatives</b></p> <p>This Instrument Class includes OTC options, OTC forward transactions, OTC swaps (including credit default swaps, total return swaps, variance swaps interest rate swaps and currency swaps).</p> <p>DC invests in OTC derivative instruments to hedge against market risk or to gain exposure to an underlying asset. Such derivatives will be either standard contracts or will be structured contracts.</p>	<p>We do not currently trade OTC derivatives in our Discretionary Portfolio's.</p>
<p><b>Exchange Traded Derivatives</b></p> <p>This Instrument Class covers exchange-traded futures and options contracts and exchange traded contracts for differences.</p> <p>DC invests in exchange-traded derivative instruments to hedge against market risk or to gain exposure to an underlying asset.</p>	<p>We do not currently trade exchange traded derivatives in our Discretionary Portfolio's.</p>
<p><b>Collective Investment Schemes</b></p>	<p>For the vast majority of CISs there is no secondary market and it is almost invariably the case that DC will place an order for the purchase or sale of units with the operator or manager or administrator of the fund. The "Broker" or "Execution Venue" for such transactions would therefore always be the operator/manager/administrator (as appropriate). Transactions are effected at the net asset value of the CIS. Certainty of execution (i.e. the ability to execute the order) is the most important factor.</p>

---

## Appendix 2: Identification of transactions requiring further investigation

Price, Cost and Speed are the most important factors DC takes into account when determining whether it has achieved best execution. Below are examples of the triggers that are used to identify transactions where further analysis is required.

We do not currently trade any Instruments which require further investigation.

Execution Factor	Execution Factors
Price	On Exchange Liquid instrument – Illiquid instrument – OTC –
Cost	On Exchange Liquid instrument – Illiquid instrument – OTC –
Speed	On Exchange Liquid instrument – Illiquid instrument – OTC –