

NCL Investments Limited

Qualitative Report for Securitized Derivatives

This report was produced by NCL Investments Limited (“NCL”, “we” or “our”) and provides a qualitative order execution assessment for Securitized Derivatives (“Securitized Derivatives”), in the format described in Article 3(3) of Commission Delegated Regulation EU/2017/576, for the period 1 January 2018 to 31 December 2018.

Execution venues

During 2018, NCL executed orders for Smith & Williamson Investment Services Limited (“SWIS”), a Smith & Williamson Group company, or other Professional clients, in Securitized Derivatives.

When executing orders in Securitized Derivatives NCL used a number of different types of execution venue however predominantly relied on third party investment houses and/or their affiliates acting as a Market Maker or liquidity provider.

NCL has neither close links nor any common ownership with respect to any execution venue used for this instrument type.

We followed a documented procedure when approving brokers and counterparties and have completed all necessary compliance checks.

NCL has policies and procedures in place to monitor any payments, or minor non-monetary benefits, received from third parties to ensure that they are designed to enhance the quality of service to the client and do not impair our ability to act in accordance with the best interests of our clients. In 2018, NCL has not recorded any conflicts of interest with any venues used in this asset class.

Execution factors

To achieve the best possible result, NCL has on a consistent basis, taken into account a number of execution factors; including: price, costs associated with execution, speed of execution, likelihood of execution, the size and nature of the order, and quality of any related clearing and settlement facilities.

NCL has determined the relative importance of each of these factors and the manner in which each order was executed, based on the circumstances at the time of execution, such as:

- The type of financial instrument and nature of the order;
- The execution venues to which the order could have been directed.

In most cases, price was the most important factor; however liquidity in derivative instruments may vary significantly depending on the size and nature of the order, limiting choice of execution venue. We therefore consider likelihood of execution to be of higher importance than speed or costs associated with execution (as these are relatively standardised).

Client categorisation

NCL executed transactions on behalf of Professional clients only and as such, client categorisation did not have any impact with regards to order execution arrangements.

Summary of analysis and conclusions

The Best Execution Working Group (“BEWG”) monitored adherence to the firm’s Order Execution Policy and the effectiveness of our order execution arrangements and procedures. Execution quality of orders in this instrument type was reviewed on a monthly basis. Analysis was carried out on trade data using the firm’s own software and comparative published data obtained from sources such as Bloomberg. All outliers from this analysis were reviewed by BEWG and any instances identified where NCL did not achieve best execution for its clients were investigated, and in some instances appropriate compensation was paid. On the basis of these reviews, we believe the execution venues used during 2018 enabled us to obtain on a consistent basis, the best possible result for the execution of client orders.

Further information regarding the monitoring carried out on execution quality can be found in the SWIM and SWIS qualitative reports for Securitized Derivatives.