

Smith & Williamson

Investment Services Limited

Qualitative Report for Currency Derivatives

This report was produced by Smith & Williamson Investment Services Limited (“SWIS”, “we” or “our”) and provides a qualitative order execution assessment for Currency 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

In 2018, a number of different types of execution venue were used when executing orders in this instrument type:

- Bloomberg Multilateral Trading Facility (“BMTF”);
- Acting as Principal and dealing against SWIS’ own book;
- Third party banks acting as liquidity providers.

SWIS has neither close links nor any common ownership with respect to any execution venue, or counterparty, used for this instrument type, when not dealing against own book.

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

SWIS 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, SWIS has not recorded any conflicts of interest with any venues used in this asset class.

A list of venues on which SWIS placed a significant reliance is contained within its Order Execution Policy dated, April 2019.

To obtain a complete copy of our Order Execution Policy, please visit:

<http://smithandwilliamson.com/footer-pages/regulatory-information>

Execution factors

To achieve the best possible result, we have, 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.

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We have 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

SWIS executed transactions on behalf of both Retail and Professional clients, however there was no differentiation in client treatment with regards to order execution arrangements.

Summary of analysis and conclusions

In 2018, the majority of orders were executed electronically, discovering the best available price at the time of execution by obtaining quotes from multiple counterparties. Bloomberg MTF was a top five venue during 2018 for Currency Derivatives due to use of the venue's RFQ system. As per guidance given in the ESMA Q&A (Question 1.19) we have included below the identity of the top five counterparties against whom we most commonly executed for Currency Derivatives:

Professional Clients

Top five investment firms ranked in terms of trading volumes (<i>descending order</i>)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class
BNP Paribas Security Services Luxembourg 549300WCG70D06XZS54	86.11	66.86
Standard Chartered Bank RILFO74KP1CM8P6PCT96	4.18	10.73
Lloyds Bank Capital Markets PLC 213800MBWEIJDM5CU638	3.31	7.80
RBC Investor Services Trust 5493002MUOV04NSPT571	1.48	3.07
HSBC Bank PLC MP615ZYZBEU3UXPYF54	1.40	3.52

Retail Clients

Top five investment firms ranked in terms of trading volumes (<i>descending order</i>)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class
Commerzbank 851WYG NLUQLFZBSYGB56	28.20	10.58
National Australia Bank Ltd F8SB4JFBSYQFRQEH3Z21	22.06	6.73
Smith & Williamson Investment Services Ltd LAFEQBG3V1MID89I5N78	19.13	61.54
UBS Switzerland AG 549300WOIFUSNYH0FL22	18.40	3.85
Bank of New York Mellon HPFHU00Q28E4N0NFVK49	6.84	4.81

Orders of a smaller value were executed against SWIS' own book.

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 SWIS 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 qualitative report for Currency Derivatives.