

# Smith & Williamson

## Investment Services Limited

### Qualitative Report for Securitized Derivatives

This report was produced by Smith & Williamson Investment Services Limited (“SWIS”, “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

In 2018, SWIS transmitted all orders in Securitized Derivatives to NCL Investments Ltd (“NCL”), a Smith & Williamson Group company for execution, or to external brokers. SWIS has neither close links nor any common ownership with respect to any broker used for this instrument type, apart from NCL.

We followed a documented procedure when approving brokers 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 brokers used for 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, SWIS 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.

SWIS 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

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

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 and NCL qualitative reports for Securitized Derivatives.