

# Thomas Miller Investment Order Execution Policy ('the Policy')

## Introduction

This document sets out the Policy of Thomas Miller Investment Ltd and Thomas Miller Investment (Isle of Man) Ltd (collectively 'TMI') on the execution of client orders.

This Policy applies to orders to buy and sell investments for both TMI's discretionary investment management clients as well as for transactions executed following advice or on an execution only<sup>1</sup> basis.

TMI is required:

- to take all reasonable steps to **obtain the best possible result** for its clients, taking into account the "**execution factors**", being: price; costs; speed; likelihood of execution and settlement; size; nature; or any other consideration relevant to the execution of the order. The relative importance of these factors must be determined by reference to the "**execution criteria**" being:
  - (i) the characteristics of the client including the categorisation of the client as retail or professional;
  - (ii) the characteristics of the client order;
  - (iii) the characteristics of the financial instrument that are subject to the order; and
  - (iv) the characteristics of the execution venues to which that order can be directed.
- to **establish and implement a policy** to enable it to comply with the obligation to take all reasonable steps to obtain the best possible result for its client. The policy must identify, in respect of each class of instruments, the execution venues with which the orders are placed or to which the firm transmits orders for execution. The execution venues identified must have execution arrangements that will enable TMI to comply with its obligations in relation to best execution;
- to **provide appropriate information** to its clients on the policy;
- to **monitor** on a regular basis the **effectiveness of the policy** and, in particular, the execution quality of the execution venues identified in that policy and, where appropriate, correct any deficiencies; and
- to **review the policy** annually and whenever a material change occurs that affects the firm's ability to continue to obtain the best possible result for its clients.

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<sup>1</sup> Where Thomas Miller Investment (Isle of Man) (TMI-IOM) undertakes regulated activities on an execution only basis for a client, it will only do so if the client has requested to be treated as an execution only client either for a particular transaction or for the purposes of all transactions. TMI-IOM will confirm the execution only status in writing pointing out the consequent reduction in investor protection to the client. For all TMI-IOM execution only clients TMI-IOM must notify the client in writing of the terms of business relating to that type of service and must obtain written execution only terms of business signed by the client.

## Policy

TMI may choose to execute client orders itself or alternatively use execution venues to execute client orders on its behalf.

Where TMI chooses to execute client orders itself TMI will control the allocation of orders among execution venues which are used for execution, and will not take instructions from clients in that respect.

In certain circumstances, TMI may execute the purchase and sale of the investment between clients' accounts, known as a "Matched Bargain". TMI will only undertake this where it believes that this will secure the best possible result for both clients.

As far as execution of orders for retail clients is concerned, this means that the best possible result be determined solely by total consideration (price and cost). As far as execution of orders for non-retail clients is concerned, TMI will assess what constitutes the best possible result for its clients in terms of the various execution factors and not simply on the basis of the total consideration (price and cost).

TMI takes care to select those execution venues which provide a high quality execution service in relation to those financial instruments in relation to which TMI places or transmits orders for clients, taking account of the execution factors. TMI does not, however, control or influence the arrangements made by each such execution venues relating to the execution of its orders (e.g. TMI does not control choice of execution venues, such as exchanges, multilateral trading facilities or internal dealing facilities). TMI's choice of execution venues for the execution of client orders is based upon TMI's view of the relative importance of the execution factors in different circumstances. Each execution venue is subject to an initial assessment and is monitored on an on-going basis.

Factors considered during the initial assessment of each execution venue include:

- Size and reputation of the execution venue;
- Market / sector coverage execution venue can provide to TMI;
- Key personnel that TMI will interact with at execution venue;
- Current and future technology available to the execution venue;
- Execution costs charged by the execution venue;
- Ability of the execution venue to provide TMI with regular reporting on the execution quality of TMI's trades.

Following the initial assessment, each execution venue will be subject to on-going assessment which will in the main be carried out by TMI IOM Head of Dealing using Bloomberg Trade Cost Analysis (TCA) software. This will identify any individual trades that are executed outside of expected parameters (typically benchmarks such as previous day's closing price for bonds, volume weighted average price for equities and specific fixing times for FX) and show any trends (positive and negative) that have occurred with TMI's chosen execution venues.

For TMIL and TMI IOM clients the TMI IOM Investment Committee has responsibility for the review and approval of any change to the execution venues used by the TMI IOM Dealing Team. When considering its choice of execution venue for each client order the TMI IOM Dealing Team will consider its execution strategy based on several factors including the size of the client order, liquidity and whether Algorithmic Trading can be used.

Information on TMI's view of the relative importance of the execution factors, in the light of the **execution criteria**, is set out below.

- ***Collectives Investment Schemes (CIS)***

In relation to CIS where there is no secondary market, it is almost invariably the case that TMI will place an order for the purchase or sale of units with the fund's operator, manager or administrator. In this respect, **certainty of execution** (i.e. the ability to execute the order) is the most important factor.

- ***Equities***

TMI has arrangements with execution venues in relation to the execution of orders placed by TMI for equities in the geographic regions and markets they transact.

For equity orders that TMI does not consider to be large in size for the particular market or equity, TMI will generally consider that **price** is the most important factor. In order to obtain the best price, TMI will normally check prices quoted by execution venues e.g. London Stock Exchange or alternative sources of liquidity, such as market makers.

For **large orders**, TMI will generally consider that **reduction of market impact** and, as a secondary consideration; **speed of execution** as the most important factors. In order to obtain the best possible results in the light of these factors, TMI may request one or more of the execution venues to quote for the working of the order or the purchase of the block or split the order between different execution venues.

In some circumstances, TMI may discuss with a client the importance of particular execution factors (e.g. confidentiality requirements). The choice of execution venue would, in such circumstances, be determined by the relative importance of the factors as discussed with the client.

- ***Bonds***

TMI has arrangements with execution venues in relation to the execution of bond transactions.

In relation to transactions in bonds, TMI generally considers that **price (including costs)** is the most important factor. In most cases, TMI will check the available prices from at least three execution venues through either the telephone or via a trading system. Certainty of execution is the secondary factor.

In certain circumstances, including times of market stress or when trading in certain illiquid bonds, there will be occasions where **speed and certainty of execution** will be the most important factor, followed by price. In these circumstances, it may not be possible to check the available price against alternative sources.

- ***OTC Derivatives***

TMI considers **certainty of execution** (i.e. the ability to execute the order) as the most important element since investment in this strategy is the fundamental purpose of the initial investment by relevant funds and clients. Second to certainty of execution, TMI will consider **price (including costs)** as the most important factor.

Aside from the above, TMI may also invest in derivative instruments (including options, futures and swaps) 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.

In all cases referred to in the above paragraph, trading derivative contracts off-exchange will be effected by TMI with counterparties acting as principal under ISDA contracts and on a request-for-quote basis. TMI has established ISDA agreements with several counterparties in relation to which, it will trade the following types of derivative contract.

- **Exchange-traded derivatives**

Generally, exchange traded derivative contracts are unique to the exchange on which they are traded. In these circumstances, TMI considers **certainty of execution** is the most important element. Therefore, TMI will use execution venues that are able to execute the derivative contract on the relevant exchange. TMI will check prices with at least two such execution venues before instructing the provider to execute the transaction.

### Disclosure

Following the introduction of MIFID2 TMI is required to publish annually details of its order execution arrangements. These disclosures include a summary by asset class of the top five execution venues by trading volume in the preceding year along with information on the quality of execution obtained. This information will be provided on the TMI website using the following link, <https://www.tminvestment.com/documents/legal-and-regulatory-information/>

### Specific Instructions

When a client gives TMI a **specific instruction** as to where or how an order is to be executed, TMI will, as far as possible, act in accordance with the client's specific instructions.

Clients should be aware that providing specific instructions may prevent TMI from executing orders in accordance with this Policy and therefore prevent us from taking the steps that we have put in place to obtain the best possible result for the execution of orders. It is likely to be only in rare cases that TMI will receive such "specific instructions" from clients.

### Algorithmic Trading

For certain institutional clients TMI may engage in Algorithmic Trading on their behalf. This type of trading, used predominantly for equities enables TMI to execute client orders based on prescribed parameters defined by TMI. TMI has in place effective systems and controls around its use of Algorithmic Trading as well as a clear governance structure to review and monitor its use of Algorithmic Trading. The TMI Algorithmic Trading Policy is attached as **Appendix 2** to this Policy.

### Governance

For TMIL and TMI IOM institutional clients the TMI IOM Dealing Team are responsible for the day to day oversight of client orders and ensuring clients receive best execution. The TMI IOM Dealing Team will utilise the output from the Bloomberg Trade Cost Analysis (TCA) system to assist its monitoring of its client order activities. The Head of the TMI IOM Dealing Team reports into the TMI IOM Investment Committee. The TMI Chief Investment Officer may attend the TMI IOM Investment Committee and has responsibility for ensuring TMIL clients receive best execution.

The TMI Compliance & Risk Team will review compliance with the requirements of this Policy including monitoring whether clients have received 'best execution as part of the compliance monitoring programme. The TMI Compliance & Risk Team will also utilise the output from the Bloomberg TCA to assist its monitoring review. The monitoring undertaken will include a review of the assessment of the execution quality of the execution venues listed in **Appendix 1** of this Policy.

This Policy will be reviewed at least annually or whenever a material change occurs that affects TMI's ability to continue to obtain the best possible result for its clients.

The TMI Compliance & Risk Team will report to the TMI Board(s) on any weaknesses identified following its review or any material deficiency in the systems, procedures or controls in relation to this Policy.

The TMI Board(s) are ultimately responsible for this Policy and ensuring that TMI acts in their client's best interests to ensure clients receive best execution.

### **Regulatory Reference**

This Policy is designed to ensure compliance with TMI's obligations under the Markets in Financial Instrument Directive (MIFID2); the Financial Conduct Authority (FCA) Conduct of Business Sourcebook; and the Isle Of Man Financial Services Authority's (FSA) Rule Book 2013 as amended.

### **Further Information**

A copy of this Policy can be found on TMI's website, [www.tminvestment.com](http://www.tminvestment.com).

Questions or requests for further information relating to this Policy should be addressed to the TMI Compliance & Risk Team.

**December 2017 (2)**

## Appendix 1

### **Thomas Miller Investment Ltd & Thomas Miller Investment (Isle of Man) Ltd – Institutional Clients**

The TMI IOM Dealing Team provides a dealing service to TMIL and TMI IOM ('TMI') institutional clients. The service is provided to retail and non retail clients.

When considering using an execution venue for TMI client orders the TMI IOM Dealing Team will assess the execution venue against a number of factors, these include ;

- The execution venues reputation, experience and ability regarding the provision of trade related services;
- The execution venues order execution and order handling policy;
- Trade related data from the execution venue;
- The record keeping controls of the execution venue;
- The on-going performance of the execution venue.

Below is a list of execution venues used by the TMI IOM Dealing Team when executing client orders on behalf of TMI clients. The list is not exhaustive and is subject to change.

Financial Instrument	Broker / Venue	Critical Vendors	Key Factors
Collective Investment Scheme (CIS)	<ul style="list-style-type: none"> <li>• Fundsettle</li> <li>• Bank of New York Mellon Nominees</li> </ul>	✓	
Fixed Income	<ul style="list-style-type: none"> <li>• Bloomberg MTF</li> <li>• Morgan Stanley</li> <li>• Bank of America Merrill Lynch</li> <li>• Goldman Sachs</li> <li>• Natwest Markets plc</li> <li>• Daiwa Securities</li> <li>• Bridport &amp; Cie</li> <li>• Alex Brown</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Multi-lateral Trading</li> </ul>
Equities	<ul style="list-style-type: none"> <li>• Bloomberg Tradebook</li> <li>• Morgan Stanley</li> <li>• Alex Brown</li> <li>• Ramsey Crookall</li> </ul>	✓	<ul style="list-style-type: none"> <li>• Direct Market Access</li> </ul>
Foreign Exchange	<ul style="list-style-type: none"> <li>• Bank of New York Mellon</li> <li>• Natwest Markets</li> <li>• Sumitomo Bank</li> <li>• Pictet &amp; Cie</li> </ul>		
Derivatives	<ul style="list-style-type: none"> <li>• Morgan Stanley</li> </ul>		

## Appendix 2

# Thomas Miller Investment (TMI)

## Algorithmic Trading Policy ('the Policy')

### Introduction

This document sets out the Policy of Thomas Miller Investment Ltd and Thomas Miller Investment (Isle of Man) Ltd (collectively "TMI") on Algorithmic Trading.

The TMI IOM Dealing Team use Algorithmic Trading for certain equity client orders for TMIL and TMI IOM institutional clients. The TMI IOM Dealing Team select specific parameters within the Algorithmic Trading platform its uses to place its client orders. TMI use Algorithmic Trading as it is cost effective for client orders and assists TMI in delivering best execution on behalf of its clients.

The FCA Rules on Algorithmic Trading require that a firm engaging in algorithmic trading must have in place effective and suitable controls, suitable to its business, to ensure that it's trading systems:

- are resilient and have sufficient capacity;
- are subject to appropriate trading thresholds and limits;
- prevent the sending of erroneous orders, or the systems otherwise functioning in a way that may create or contribute to a disorderly market; and
- cannot be used for any purpose that is contrary to:
  - the Market Abuse Regulation; or
  - the rules of a trading venue to which it is connected.

In addition, TMI must notify the FCA that it engages in algorithmic trading and ensure that it keeps adequate records which must be provided to the FCA within 14 days, upon request, which includes but are not limited to;

- a description of the nature of its algorithmic trading strategies;
- details of the trading parameters or limits to which the firms system is subject;
- evidence that systems and controls, and business continuity and system tests are met;
- providing accurate and time-sequenced records of all its placed orders.

### Policy

TMI uses the Goldman Sachs platform<sup>2</sup> for its Algorithmic Trading. The platform provides TMI with both direct market access (DMA) and access to Algorithmic Trading to a broad range of global venues. By accessing the Goldman Sachs platform it enables TMI to place and execute orders to trading venues and exchanges.

Using the Goldman Sachs platform TMI has access to a suite of proprietary equity algorithms and specialized order types that can be used when TMI sends equity client orders for execution. The algorithms used are Goldman Sachs propriety algorithms, certain algorithms have selectable parameters, such as limit price, aggression and duration of order. TMI are able to use these parameters to help achieve best execution for its client orders.

TMI use algorithms to assist implement trading strategies to seek the greatest liquidity – both lit and dark – while seeking minimal market impact.

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<sup>2</sup> Formerly Bloomberg Tradebook



### TMI Algorithms

The Algorithms used by TMI using the Goldman Sachs platform can be split into three different types, Benchmark, Liquidity Seeking and Tactical (see below table). The Algorithm selected by the TMI IOM Dealing Team will depend on the specific execution strategy of the client order.

<b>Algorithm Type</b>	Benchmark	
<b>Algorithm</b>	<b>Algorithm Description</b>	<b>Algorithm Strategy</b>
Arrival Price	Implementation shortfall algorithm that dynamically adjusts to the market opportunistically – with the objective of achieving the arrival price.	User Specified
VWAP	VWAP dynamically forecasts volume to be as close as possible to the interval volume weighted average price (VWAP) benchmark.	Passive
TWAP	Executes evenly over a time-interval-scheduled strategy.	Passive
Go-Along	Executes using a target-volume participation rate specified by the user.	Passive

<b>Algorithm Type</b>	Liquidity Seeking	
<b>Algorithm</b>	<b>Description</b>	<b>Algorithm Strategy</b>
B-Dark	Seeks to minimize impact and maximise size by trading only with dark liquidity pools.	User Specified
B-Smart	Intelligently posts order in the most active lit/dark venues using dynamic real-time market information – seeks to maximise exposure and market sweeping ability.	User Specified
Auction Close / Open	Automates and optimizes global open/close auction participation. Allows market order to be entered in every exchange and will queue orders so they can be entered at any time.	Neutral

<b>Algorithm Type</b>	Tactical	
<b>Algorithm</b>	<b>Description</b>	<b>Algorithm Strategy</b>
Hide & Sweep	Stealth strategy that sweeps market when specified price is displayed out loud, without posting.	Aggressive

- **Systems and Controls**

TMI is reliant on third party systems and software to enable it to undertake Algorithmic Trading on behalf of its clients, specifically Eze OMS and the Goldman Sachs platform. TMI has received the necessary comfort from the Goldman Sachs platform that they have in place robust systems and controls to ensure access to its platform during normal market conditions.

The Goldman Sachs platform has internal controls to prevent client orders not in line with rules for each exchange that an order is routed to.

TMI have added additional controls within the Goldman Sachs platform which limits the TMI IOM Dealing Team from placing large client orders thus reducing (fat finger) certain dealing risk.

There are additional restrictions within the Goldman Sachs platform ensuring only specific employees within the TMI IOM Dealing Team have access to the DMA functionality.

- All members of the TMI IOM Dealing Team receive both initial and ongoing training from Goldman Sachs in the use of the available Algorithms on the platform.

**Governance**

The TMI IOM Dealing Team is responsible for the day to day oversight of TMI's use of Algorithmic Trading. The TMI IOM Dealing Team utilises the output from the Bloomberg Trade Cost Analysis (TCA) system to assist its monitoring of its Algorithmic Trading activities.

The Head of the TMI IOM Dealing Team reports into the TMI IOM Investment Committee in respect of its Algorithmic Trading activities.

On an annual basis TMI is required to produce an annual self assessment and validation report on its Algorithmic Trading activities, these will be reviewed by the TMI IOM Investment Committee.

The TMI Compliance & Risk Team will include Algorithmic Trading as part of its annual Compliance Monitoring Programme.

**Record Keeping**

TMI is required to keep accurate and time-sequenced records of all its client orders placed using Algorithmic Trading

All Algorithmic trading client order data is stored within both Eze OMS and on the Goldman Sachs platform.

### **Regulatory Reference**

This Policy is designed to ensure compliance with TMI's obligations under the Markets in Financial Instrument Directive (MIFID2); the Financial Conduct Authority (FCA) Conduct of Business Sourcebook; and the Isle Of Man Financial Services Authority's (FSA) Rule Book 2013 as amended.

### **Further Information**

A copy of this Policy can be found in EQMS.

Questions or requests for further information relating to this Policy should be addressed to the Head of TMI IOM Dealing Team in the first instance.

**December 2017 (2)**