

# ORDER HANDLING POLICY (BEST EXECUTION, ALLOCATION AND MONITORING POLICY)

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The purpose of this Policy is to meet the United Capital Securities Limited's regulatory obligation under Section 103 of the Investment and Securities Act 2007 and Rules 15.19, 15.23 and 15.37 of the Rules for Regulation as a Dealing Member of the Nigerian Stock Exchange. United Capital Securities Limited is required to take all reasonable steps to seek to obtain, when executing orders on behalf of Clients or decision to deal, the best possible results for its Clients taking into account the criteria and factors set out in this Policy.




This Policy outlines all the reasonable steps taken by United Capital Securities Limited to ensure we achieve best execution for all Clients and that their order is handled in a fair, just and timely manner.

**WHO DOES THIS POLICY APPLY TO?**

<b>LOCATION</b>	
<b>LEGAL ENTITY</b>	<b>United Capital Securities Limited</b>
<b>BUSINESS AREA</b>	<b>Securities Trading</b>
<b>ROLES</b>	<b>Trader, Operations and Relationship Managers</b>

**Approval**

This Order Handling Policy Template version 1.0 is approved by the Chairman, United Capital Securities Limited as signed and dated below.

	Date	Signature
<b>Reviewed by:</b>		
Abideen Alade Head Trader	May 1, 2019	
<b>Concurred by:</b>		
Bawo Oritsejafor Managing Director/Chief Executive Officer	May 1, 2019	
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## **1. Purpose**

This Policy sets out the United Capital Securities Limited's (UCSL) execution methodology and approach in respect of Client order execution when taking all reasonable steps to obtain the best possible results in accordance with the requirements of the appropriate Regulatory bodies and best practices for its Clients when executing or transmitting Client orders.

UCSL is also required to execute orders in a prompt, fair, and expeditious manner, relative to other orders or the trading interest of UCSL. This Policy will also address the UCSL's approach in respect of the aggregation and allocation of orders.

## **2. Scope**

This Policy applies to all trades in Financial Instruments executed or placed by UCSL on the Nigerian Stock Exchange (NSE), NASD, FMDQ or any other Capital Market Trade Point recognised and authorized by the Securities and Exchange Commission (SEC).

## **3. Best Execution**

Generally, the concept of best execution is the act of obtaining a combination of price and Commission (if any) in a transaction that is most favourable to the Client under prevailing Market conditions.

When executing trades on behalf of Clients, the Traders have a duty to select Brokers, Dealers or Banks that will enable the Company to obtain best execution for our Clients and to comply with any applicable legal requirements. Consequently, the Trader must, when executing trades, exercise due care, skill, judgment and consideration for execution criteria as detailed below when handling Client order.

### **3.1. Best Execution Criteria**

UCSL will take into account the following factors in determining how to execute our Clients' orders with a Counterparty to achieve the best possible result:

- ✓ The price of the Financial Instrument which are offered by the Execution Entity or Execution Venue;
- ✓ The direct and indirect costs related to the execution of such Financial Instruments such as:
  - All expenses incurred which are directly related to the execution of the order;
  - Execution venue fees;

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- Clearing and settlement fees; and
  - Any other fees paid to Third Parties involved in the execution of the order
- ✓ Speedy execution of the orders
  - ✓ Likelihood of execution and settlement
  - ✓ Size of the order relative to other trades in the same Financial Instrument
  - ✓ Nature of the order (impact on the Market); and
  - ✓ Other relevant factors

The relative importance of these factors will be determined based on our commercial experience and judgment in the light of available Market information and taking into consideration, the characteristics of the Client, the order, the Financial Instruments that are the subject of the order, and the execution venues to which that order can be directed.

### **3.2. Specific Client Instructions**

Where a Client provides specific instructions as to execution, the order will be executed in line with those instructions. This may prevent UCSL from taking the steps designed and implemented in this Policy to obtain the best possible results for the execution of those orders in respect of the elements covered by those instructions.

Where the Client does not give a specific instruction as to how an order should be executed, this Policy will be applied to obtain the best possible result for each order that we place for execution in the Market or execute ourselves on behalf of our Clients taking into account all available Market information at the time of execution.

The Relationship Manager (RM) and the Traders must ensure that all confirmed Client orders are entered into the Exchange's order books immediately and continue to pursue the execution of the mandate to buy/sell within 10 business days or as detailed in the Clients' mandate. If after this period, the trade has not been executed, the RM should seek to revalidate the Client's order from the Client unless expressly advised otherwise by the Client in the initial order.

### **3.3. Execution Venue**

The Execution Venue means a Regulated Market or any other trading facility that performs a similar function.

UCSL is a Member of, and places significant reliance on the following venues when executing orders:

- i. Nigerian Stock Exchange; and
- ii. NASD

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UCSL assesses the available execution venues to identify those that will enable us, on a consistent basis, to achieve the best possible result when executing or placing orders on behalf of our Clients.

The factors listed in 3.1. above are taken into account in the choice of execution venue and methodology for all Financial Instruments in particular:

- ✓ Where we believe we can trade to the advantage of (or at no disadvantage to) the Client in terms of one or more price, speed of likelihood of execution impact, or any other relevant consideration, we will do so; and
- ✓ When placing orders on a Regulated Market through an executing agent, orders will generally be executed on the execution venue assessed to be the most appropriate.

UCSL consummates its trades based on Best Price and first come first basis.

### **4. Order Handling**

#### **4.1. General principles**

- i. UCSL will provide for the prompt, fair and expeditious execution of order, relative to other orders of the trading interests of the Company. This must allow for the execution of otherwise comparable orders in accordance with the time of their reception by UCSL.
- ii. When carrying out orders, all areas of the Business Areas must:
  - a. Ensure that orders are executed as promptly as possible and subject to any Client orders must be executed within the same day of it being received by UCSL so long as it is received within the timeframe the Exchange is open for trades (between 10:00am – 2:30pm). Where orders are not executed on the same day, a record of the reason must be made in writing and retained;
  - b. Ensure that executed orders are promptly and accurately recorded and allocated;
  - c. Ensure all orders are received in writing or taken through recorded telephone lines from the Client account holder only; and
  - d. Carry out otherwise comparable orders sequentially and promptly unless the characteristics of the order or prevailing Market conditions make this impractical, or the interests of the Client require otherwise.
- iii. Order received through multiple and different media will be handled as practically possible with the aim for sequential treatment wherever possible.
- iv. UCSL will not trade on its own account ahead of a Client order, unless UCSL immediately executes the customer order at the same or better price than it traded for its own account.

- v. UCSL will not aggregate a Client order with a trade for our own account (Proprietary trade).

#### **4.2. Equities, Fixed Income and related securities**

Achieving best execution for Fixed Income and related securities will depend on the transaction strategy type being entered into. The standard method for establishing the Market level is to request three Market prices for each asset. If possible, at least two of these prices should be executable and the third may be a reference. All prices obtained are recorded on a trade sheet regardless of whether it was obtained by telephone or electronic trading (i.e. trade system). The trade will then be concluded through the venue that provides the best price.

For Equities, UCSL will seek the most favourable bid/offer price available in the Market at the time of executing the trade. The Trader will also act based on the Client Mandate. Where the Client gives a specific price, the Trader will try to sell at the price indicated and where the Client merely advises that the purchase be done at "best execution", the Trader will seek to purchase at the most favourable price.

#### **4.3. Order Allocation**

Where a Client's order is completed in full i.e. the Dealer is able to buy or sell the desired quantity that the Client has specified, the order should be allocated in accordance with the Clients' mandate.

#### **4.4. Potential conflicts of interest**

No single account may be systematically favoured over another in the allocation of Trade orders. Similarly, accounts are to be treated in a non-preferential manner, such that allocations are not based upon the Client's account size and/or identity, account performance, fee structure, or the Portfolio Manager.

#### **4.5. Determining the initial Allocation prior to Trade Execution (Pre-trade allocation)**

Initial mandate must be determined prior to executing the trade, clearly indicating the participating Client's accounts and allocations for each account.

#### **4.6. Determining the appropriate Allocation**

Pro-Rata Allocation assures fair and equitable treatment. Trades should be allocated on a pro rata basis based on the size of the pending order, however, there are various judgmental and other factors as described below which may support non-pro rata allocations.



#### **4.7. Non-Pro- Rata Allocations**

Certain factors may affect a Portfolio Manager's decision to allocate on a pro rata basis. Factors such as, the need to sell out an account's entire position due to the Client's cash flow, exposure to the Security/sector, cash flow (accounts liquidity needs, availability of cash) may form the basis of a non-pro rata allocation. In these situations, the Portfolio Manager must use reasonable fiduciary judgment in making a non-pro rata allocation that is the best interest of all the affected Clients. This should also be fully documented to demonstrate the rationale behind the decision and subsequent allocation.

#### **4.8. Filling Orders according to initial Allocation (Post Trade Allocation)**

All orders must be filled in line with the initial mandate as set out in 4.5. above. If the entire order is filled, then every Client should have their entire order size met. If the order is partially filled, the executed trade should be allocated pro-rata among the Clients in the same proportions as the initial order size. Any deviation or reallocation of share from the initial allocation is permitted for up to Two Hours and Thirty Minutes (2:30Hrs) from when the trade was executed, however, this needs to be fully documented, clearly citing the circumstance and rationale for the deviation.

#### **4.9. IPO Offerings Allocations (New Issues)**

UCSL maintains a strict policy on ensuring fair and equitable treatment of all Clients when purchasing and allocating new Issues.

For all new Issues, the Portfolio Manager will take into account, the necessary factors such as the Clients investment objectives, investment guidelines (any advance indications of Client interest for new Issues), and the risk profile of the Client, the Security itself and the size of the order. The Portfolio Manager will have the responsibility for ensuring that no special arrangement or any inducement scheme exists where UCSL agrees to trade more with an executing agent as a result of a greater allotment of a new Issue from a Book Runner.

The Portfolio Manager looking to subscribe to the new Issue must have a written record indicating the requested volume. Pre trading allocation must also be completed, as above on a pro-rata basis with consideration for the size of the Client's account, adjustment for rounding lots, the mandate type, permissibility of the new issue for the Client and cash availability. After filling the order, the Portfolio Manager must record on the trade ticket the actual new issue allocation made to each Client/strategy. The rationale for any allocation decision other than strictly pro rata and adjustment for round lots must be clearly documented and provided on request to the Compliance Department.

#### **4.10. Cross Trades**

Where the Portfolio Manager has 2 Clients with opposite needs in the same Security and it is the interest of both Clients to transact with each other instead of both going to the Market, the Portfolio Manager/Trader may cross the trade at the agreed price of the Security. However, the Portfolio Manager must ensure that this is not done to the advantage or detriment of either Party participating in the Cross. The rationale for Crossing should be fully documented which sufficiently allows Compliance to have clear oversight of the process.

#### **5. Monitoring and Review**

UCSL will monitor processes to identify transactions that may not have met order execution requirements as outlined in this Policy through surveillance undertaken mainly by the second and third line of defence i.e. Compliance and Audit (Internal/External) respectively.

Compliance will monitor, regularly (at least on a Quarterly basis), the effectiveness of UCSL's execution arrangements and assess whether the execution venues selected have provided the best possible result. Monitoring will also cover the fair and equitable allocation where they occurred, as well as Cross Trades, during the period. Any opportunities for improvement that are identified, will be reported to the Board and Investment Committee so resulting actions may be incorporated into the process and Policy.

#### **6. Record Keeping**

UCSL will maintain records in sufficient detail to show particulars of all transactions undertaken, in line with local Regulatory requirements. Subject to Regulatory requirements, the following records must be retained for each trade executed:

1. 3 competitive quotes (Fixed Income) and best bid/offer price at time of executing the Trade;
2. Price;
3. Time order was received; and
4. Execution time.