

## **Order Execution Policy Veer Palthe Voûte (VPV)**

### **1. Introduction**

VPV has a regulatory obligation when executing client orders or transmitting orders to other firms for execution to take all reasonable steps to obtain the best possible result for their clients, taking into account various factors relevant to the execution. As VPV performs portfolio management services, a client order arises when a decision is made by VPV to deal in financial instruments on behalf of a client. In addition, VPV executes orders for execution only clients.

This Policy defines how VPV obtains an appropriate standard of execution quality. It should inform decisions on how, where, and with whom VPV will deal when it acts for and on behalf of its clients. In particular, this policy establishes the firm's treatment of the key aspects of the execution process, namely:

- Execution Criteria and Execution Factors;
- Execution venues and process;
- Structure of commission charges;
- Specific instructions; and
- Monitoring and review.

The financial instruments covered by this policy are:

- i) financial instruments admitted to trading on a regulated market (whether or not the transaction is carried out on a regulated market); and
- ii) other financial instruments not listed or traded through a regulated market e.g. Over The Counter (OTC) transactions.

The trading desk should maintain formal procedures which give effect to this policy. The procedures must provide for, at minimum, an annual review of the procedures and must specify the appropriate business owner. The procedures and any variation to them must be approved.

## 2. Execution Criteria

The Execution Criteria are:

- i) the characteristics of the client including the categorization of the client as retail or professional;
- ii) the characteristics of the client order;
- iii) the characteristics of the financial instruments that are the subject of that order; and
- iv) the characteristics of the execution venues to which that order can be directed.

These Execution Criteria are described in more detail below and will inform the relative importance of the Execution Factors when executing the relevant order. The Execution Factors are set out in the section below.

i) The characteristics of the client

Although VPV clients are categorized as non-professional and professional clients, VPV will fulfill its best execution obligation in the same manner to all of its clients.

ii) The characteristics of the client order

Client orders will differ in size, market impact and in relation to any specific instructions from a Portfolio Manager relating to the orders. It is therefore possible for VPV to fulfill its best execution obligation in different ways for client orders that have different characteristics. The decision how the client order will be executed, will be made by the portfolio manager.

For example, in the case of a standard buy or sell order within normal market size for the financial instrument in question, the order will be executed in such a way as to obtain the best price and lowest cost available to VPV at the time of dealing. However for large orders where the impact of the trade on the market could be high, or which may exceed the available liquidity of the market, other factors should be considered. In such cases, the execution of the order may occur in stages so as to minimize the impact on the market or to execute the trade with the venues providing liquidity. The importance of size and the likelihood of execution of the whole order are therefore prioritized in such situations. Orders with specific instructions attached (e.g. that speed is of the essence), following the instruction will be the most important factor.

iii) The characteristics of the financial instruments

Orders for different types of financial instrument may require different methods of execution by VPV in order to discharge its best execution obligation. For example, the execution factors relevant to listed equities will differ from those relevant to OTC transactions. An example of how VPV will consider the characteristics of the financial instruments being traded is set out below.

Where a financial instrument is less liquid, or not generally traded on a regulated market, the best possible result is achieved through consideration of a number of factors relevant to the trade in question. For example:

- Where the terms of the financial instrument are standardized, the financial instrument is generally considered to be tradable or the liquidity of the market for the financial instrument is good, the counterparty credit rating, price and any related execution costs will together be the

most relevant factors. Such financial instruments are likely either to be compared at the time of execution to observable market prices or, where no directly comparable market exists, competing quotes obtained from the chosen execution venues.

- Where the product is unique, substantially bespoke or the liquidity of the market is very low, costs and the terms of the trade, size of the order, and liquidity will become relevant factors in addition to counterparty credit rating and the price of the financial instrument. In some circumstances it may not be possible to undertake a price comparison exercise at the time of the trade due to the bespoke nature of the product or the fact that only one execution venue exists for the financial instrument. Appropriate due diligence will however be performed.

iv) The characteristics of the execution venues

Different market factors and trading conditions may affect the importance of the various execution factors when attempting to execute or transmit a client order. It is not anticipated that the nature of the market or execution venue will be a factor that will be of a significant influence in normal market circumstances.

### 3. Execution Factors

VPV is required to take into account the execution factors when taking reasonable steps to achieve best execution. The execution factors are:

- Price;
- Costs;
- Speed;
- Likelihood of execution and settlement;
- Size; and
- Nature or any other consideration relevant to the execution of an order.

The majority of Client Orders will be executed with reference to the best available price, taking into consideration the transaction costs directly related to the order. Therefore, price will generally be the prevailing execution factor. However, depending on the execution characteristics set out above, some or all of the other execution factors may also be taken into account and the execution factors may be prioritized differently given market conditions and the characteristics of a client order. The relative importance of the execution factors for each type of financial instrument is detailed below:

#### i) Equities

- For equities and equity based financial instruments, price and costs are the most important execution factors. This includes consideration of any movement in the price of a financial instrument which may be caused by an order which is greater than normal market size.
- The likelihood of execution and settlement is considered when execution venues are selected and placed on the list of approved counterparties. When executing a client order in a financial instrument for which liquidity is very low, the likelihood of execution and settlement will become an increasingly important execution factor.
- Please see Appendix for a list of approved execution venues. The execution venues which may be used include Direct Market Access (DMA) providers, brokers and market makers. The choice of execution venue is dependent on the execution characteristics, as described in the section above.

#### ii) Fixed Income

- For fixed income financial instruments, price is the most important execution factor. This normally includes costs, since costs are normally reflected in the price through the bid/offer spread.
- It is the objective of VPV to execute fixed income trades as soon as reasonably practicable.
- When executing a client order in a financial instrument for which liquidity is very low, the likelihood of execution and settlement will become an increasingly important execution factor.

- Size is a factor for orders that are greater than normal market size for the financial instrument in question. In such cases, our choice of execution venue may be influenced by the desire to minimize the movement in the price of the financial instrument.

Please see Appendix for a list of approved execution venues. The execution venues which may be used are primarily brokers. The choice of execution venue is dependent on the execution characteristics, as described in the section above.

#### **4. Execution Venues & Process**

The execution venues, as defined by regulation, are:

- regulated markets;
- multi-lateral trading functions (MTFs);
- systematic internalisers (i.e. a firm which, on an organized, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF); and
- market makers or other liquidity providers.

Since VPV executes client orders and also transmits certain orders to other firms for execution, in this policy the term execution venue also includes other entities with which VPV places orders or to which it transmits orders for execution.

The Appendix contains details of all execution venues used by VPV to obtain on a consistent basis the best possible result for the execution of client orders.

The process for choosing and contacting execution venues for each type of financial instrument is detailed below.

##### **i) Equities**

The execution venue chosen and the route to the venue may vary depending on the characteristics of the financial instrument in question and the characteristics of the client order. In the case of an order for an equity which is traded on exchange and has good liquidity and the order is within normal market size, Direct Market Access may be used in order to execute the client order. However, in the case of an order for equity based OTC financial instrument where liquidity is low, it may be appropriate to contact a small number of brokers to obtain quotes in order to select the most appropriate execution venue. In selecting the most appropriate execution venue, the execution factors mentioned in the previous section will be taken into account.

##### **ii) Fixed Income**

In most circumstances, the process for selecting an execution venue will be to obtain quotes from brokers. The number of quotes obtained will vary depending on the characteristics of the financial instrument but will normally be between three and six. In the case of an order for bonds or credits, where liquidity is low, it may be appropriate to contact a small number of brokers to obtain quotes in order to select the most appropriate execution venue. In selecting the most appropriate execution venue, the execution factors mentioned in the previous section will be taken into account.

## **5. Specific Instructions**

Where a Portfolio Manager provides specific instructions in relation to the execution of a client order, VPV will follow the instructions. In doing so, VPV will meet its best execution obligation for the part of any client order that the specific instruction relates to. This does not release VPV from its best execution obligation in relation to any other part of the client order not subject to the specific execution instruction.

## **6. Client Order Handling**

VPV maintains procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other client orders.

VPV aims to execute client orders promptly in all cases, taking account of the nature of the financial instrument in question. For example, for an equity traded on exchange the execution would normally be performed within one day. However, in the case of an illiquid cash based financial instrument such as certain issues of medium term note, prompt execution could be over an extended period.

Client orders will be executed in the order of the time of their reception by the trading desk. All executed client orders are recorded by the trading desk. Dependent on the type of financial instrument, this record will either be paper-based and/or electronic within an order management system.

## **7. Monitoring and Review**

VPV's Internal Control/ Internal Audit function will perform ongoing monitoring of the effectiveness of this order execution policy and the arrangements in place to comply with it in order to identify and correct any deficiencies. In particular, it will assess, on a regular basis and with the co-operation of trading desk, whether the execution venues included in this policy provide for the best possible result for the client or whether VPV should make changes to its execution arrangements. Any changes made to the execution venues set out in the Appendix to this policy will be notified to clients via [www.vpv.nl](http://www.vpv.nl).

On an annual basis, the Head of the investment department will review this execution policy and the firm's execution arrangements. Such a review must also be carried out whenever compliance monitoring indicates that a material change has occurred that affects VPV's ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the venues included in its execution policy.

VPV will notify clients if a material change is made to the order execution arrangements or execution policy.

## Appendix – Execution Venues

E = Equities

ABN AMRO	E
Bear Stearns	E
BNP Paribas	E
Cheuvreux	E
CIMB-GK Securities	E
Citigroup	E
Concorde Securities Ltd	E
CSFB	E
DBS Vickers	E
Dresdner Kleinwort	E
Fortis Bank	E
Friesland Bank Securities	E
Guy Bulter	E
HSBC Securities, Istanbul	E
ING	E
Instinet	E
Kaupting Bank	E
Keijser Securities	E
Kempen & Co	E
Merrill Lynch	E
Morgan Stanley	E
Petercam	E
Piraeus Securities	E
Rabo Securities	E
SNS Securities	E
Tisco Securities	E
Wargny	E

FI = Fixed Income

ABN AMRO	FI
Advicorp	FI
Alexander Securities	FI
Amstel Securities	FI
Bear Stearns	FI
CSFB	FI
DRKW	FI
Fortis Bank	FI
Friesland Bank Securities	FI
Guy Butler	FI
Hypovereinsbank	FI
ING	FI
JP Morgan	FI

Keijser Securities	FI
Landsbanki	FI
Lehman	FI
Libertas Partners LLC	FI
Mitsubishi Trust International	FI
Rabo Securties	FI
Royal Bank of Scotland	FI
UBS	FI

Other

Dresdner Bank Luxembourg	FX Forwards
Dresdner Bank Luxembourg	Loans and Deposits
DRKW / FBS	Futures