

**BEST EXECUTION,**

**ALLOCATION**

**AND MONITORING POLICY**

**(Order Handling)**

**Owner/ Issuer: [Head of Trading]**

**Approved by the Board of Directors on ………………………………………………………………………………………..**

**Non-adherence to any part of this policy may result in disciplinary action including dismissal.**

**Owner/Issuer: Board of Directors/Chief Compliance Officer**

**Location:** Nigeria

**Legal Entity:** All including any Branch and/or Representative Office of the firm

**Roles:** All

**Revision History**

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| --- | --- | --- | --- | --- |
| **Version** | **Author** | **Status** | **Date** | **Revision** |
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**Purpose**

This policy sets out the firm’s 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.

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

**Scope**

This policy applies to all trades in financial instruments executed or placed by FBC on the Nigerian Stock Exchange, NASD, FMDQ or any other capital market trade point recognised and authorised by the Securities and Exchange Commission.

**Best Execution**

In general, 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 FBC to obtain best execution for our clients and to comply with any applicable legal requirements. Consequently, the trader shall, when executing trades, exercise due care, skill, judgement and consideration for execution criteria (as detailed below) when handling client order.

**Best Execution criteria**

FBC will take into account the following factors in determining how to execute our clients’ orders, make decisions to deal or place orders with a counterparty to achieve the best possible result:

* Price of the Financial instrument which are offered by the Execution Entity or Execution floor;
* 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 floor fees;
* Clearing and settlement fees; and
* Any other fees paid to third parties involved in the execution of the order Speed (how quickly the order can be executed)
* 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 judgement in the light of available market information and taking into account 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.

**Specific Client Instructions**

Where a client provides specific instructions as to execution, the order will be executed in accordance with those instructions. This may prevent FBC 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 there is no specific client 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 Portfolio Manager and the Traders shall 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 client’s mandate. If after this period, the trade has not been executed, the Trader should seek to revalidate the Client order from the client unless expressly advised otherwise by the client in the initial order.

**Execution Floor**

Execution floor means a regulated market i.e. the Nigerian Stock Exchange.

FBC assesses the available execution floor 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 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 of price, speed of likelihood of execution impact, or any other relevant consideration, we will do so.
* When placing orders on a regulated market through an executing agent, orders will generally be executed on the execution floor assessed to be the most appropriate.

FBC selects its executing agent primarily on the basis of their execution capabilities and always on the basis of due diligence. All relevant facts and circumstances concerning an executing agent are considered and include:

1. The terms of FBC’s execution policy, including costs and fees, where such a policy is available
2. FBC’s methodology in ensuring best execution is attained
3. The commercial experience, judgement and history of FBC
4. FBC’s assessment and use of trading floor in order to enable FBC, on a consistent basis, to achieve the best possible result when executing client orders
5. The approach of FBC to the aggregation of Client orders

**Order Handling**

**General Principles**

1. FBC will provide for the prompt, fair and expeditious execution of order, relative to other orders of the trading interests of FBC. This shall allow for the execution of otherwise comparable orders in accordance with the time of their reception by FBC.
2. **When carrying out orders, all areas of the Business Areas shall:** 
   1. Ensure that orders are executed as promptly as possible and subject to any client instructions, client orders shall be executed within 5 hours of it being received by FBC before trading period (i.e 9.30am – 2.30pm). Where orders are not executed within   
      5 hours, a record of the reason shall be made in writing and retained
   2. Ensure that executed orders are promptly and accurately recorded and allocated;
   3. Ensure all orders are received in writing or taken through recorded telephone lines from the client account holder or email only; and
   4. 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.
3. FBC accepts orders to buy and sell securities either by SMS, in writing, email, walk-in. Orders can also be accepted by FBC Order Management Systems (OMS). The way in which FBC deals with all instructions and orders is contained in our operational manual.
4. FBC will give price a higher importance than other factors which may include the circumstances of the order (e.g. market, limit, fill or kill AON, WON), the need for timely execution, liquidity of the market and potential price impact.
5. If for any reason, the client does not want FBC to achieve best execution when executing order, the client shall advise FBC accordingly. The client instructions should be clear and unequivocal.
6. The market operates between 9.30am and 2.30pm Nigerian time, Monday to Friday, not including some public holidays. If an order is received from clients after the close of market, the order will be jobbed as soon as practicable for execution on the following business day.
7. Where an order is executed via the FBC OMS, the parameters of the trade are selected by the client. This includes the price, timing, and size of the order. In case where the clients do not select any specific parameters, the OMS will automatically select the best available total considerable for the order to ensure best execution.
8. FBC will not trade on its own account ahead of a client order, unless FBC immediately executes the customer order at the same or better price than it traded for its own account.
9. FBC will not aggregate a client order with a trade for our own account (Proprietary trade)

**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, FBC will seek the most favourable bid/offer price available in the market at the time of executing the trade. The trader will record the rationale for accepting the market level and make a note in the trade sheet of the trade to capture their assessment.

**Order Allocation**

Where a clients’ 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.

However, in some instance, FBC may combine the orders of different clients, in the same security and execute it as one trade, this is commonly referred to as aggregating orders.

FBC will aggregate orders to give its clients the benefits of efficient and cost effective delivery of our services. By aggregating orders, the firm may also obtain more favourable execution and lower broker commissions. The fairness of a given allocation depends on the facts and circumstances involved, including, but not limited to, the client’s investment criteria, account size, and the size of the order.

Client Orders will not be carried out in aggregation with another Client Order unless

a. Aggregation of orders and transactions does not disadvantage any client whose orders is to be aggregated;

b. The provisions relating to order allocation set out in 4.4 – 4.10 below are complied with.

In aggregating trade orders and allocating available securities (i.e. securities available in the market to fill the order at the time of trade), the firm shall provide fair and equitable treatment to all clients.

In respect to Market Orders and Limit Orders, the Firm will not withdraw or withhold client orders for its convenience or any other person.

**Order Allocation Procedure for Aggregated Orders**

**Allocation of Completely Filled Order**

Where an aggregated order is filled completely i.e. FBC is able to buy the exact quantity desired e.g. the total of the order is 50,000 units and FBC is able to get this, then each client shall be allocated the exact amount they requested. An example is provided below:

Clients A, B and C have requested 10,000, 15,000 and 40,000 respectively of UBA Plc i.e. a total of 65,000 and the firm is able to buy 65,000, each client shall be allocated the exact amount they requested.

Allocation of part filled aggregated order Where an aggregated order is part filled i.e. FBC is not able to buy all the quantity required, FBC shall have a clear and documented procedure for allocating the order in a fair manner to all the affected clients without favouring one client over another.

Please see the example below:

A Broker looking to purchase different quantities of the same security [UBA Plc] for three of his clients [client A, B & C], has aggregated the three orders [Client A needs 50,000 shares, Client B - 20,000 shares and Client C – 30,000 shares] into a single order of 100,000 shares to the trader.

The trader is only able to buy 70,000 shares, the trader will then need to inform the Broker of the market availability of UBA Plc in the market and the Broker will need to then carry out a pro rata allocation analysis based on the initial ratio of the aggregated order as detailed below

Since Client A needed 50,000 of the total 100,000 shares, their original allocation was [50,000/100,000 x 100%] 50% of the total initial order, whilst client B [20,000/100,000 x 100%] had a 20% allocation of the total order and Client C [30,000/100,000 x 100%] 30 % of the total initial order. The Broker would then need to allocate the 70,000 share available in the market based on these ratios i.e. Client A will get 50% of 70,000 shares [35,000 share]; client B 20% of 70,000 shares [14,000] and client C 30% of 70,000 shares [16,000].

These new allocations can then be sent to the traders for execution. This process shall be documented and any variation from the ratios of the initial allocation shall be documented.

**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.

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

Initial mandate shall be determined prior to executing the trade, clearly indicating the participating client’s accounts and allocations for each account.

**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.

**Non Pro-Rata allocations**

Certain factors may affect a Broker’s decision to allocate on a pro rata basis. Factors such as, the need to sell out an account’s entire position before selling out other client’s 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 Broker shall use reasonable fiduciary judgement in making a non-pro rata allocation that is in the best interest of all the affected clients. This shall also be fully documented to demonstrate the rationale behind the decision and subsequent allocation.

**Filling orders according to initial allocation (post trade allocation)**

All orders shall be filled in line with the initial mandate as set out in 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 three hours and thirty minutes (3.30Hrs) from when the trade was executed, however this needs to be fully documented, clearly citing the circumstance and rationale for the deviation.

**IPO offerings allocation (New Issues)**

FBC maintains a strict policy on ensuring fair and equitable treatment of all clients when purchasing and allocating new issues.

For all new issues, the Broker 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 Broker will have the responsibility for ensuring that, no special arrangement or any inducement scheme exists where FBC agrees to trade more with an executing agent as a result of a greater allotment of a new issue from a book runner.

The Broker looking to subscribe to the new issue shall have a written record indicating the requested volume. Pre trading allocation shall 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 Broker shall 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 shall be clearly documented and provided on request to the Compliance Department.

**Cross trades**

Where the Broker has two clients with opposite needs in the same security and it is in the interest of both clients to transact with each other instead of both going to the market, the Trader may cross the trade at the agreed price of the security. However, the Trader shall 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 and supported with relevant additional information i.e. evidence of Bid/Ask offer obtained from the market, which sufficiently allows compliance have clear oversight of the process.

**Monitoring and Review**

FBC 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 lines of defence i.e. Compliance and Audit (internal/External) respectively.

Compliance will monitor, regularly (at least on a Quarterly basis), the effectiveness of FBC’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.

**Record Keeping**

FBC will maintain records in sufficient detail to show particulars of all transaction undertaken, in line with regulatory requirements. Subject to regulatory requirements, the following records shall be retained for each trade executed by FBC:

* Competitive quotes (Fixed Income)and best bid/offer price at time of

executing the trade

* Price
* Time order received
* Execution time
* Order Allocation record

**Definitions and Glossary**

**Term Market level:** the bid or ask price range for a security in the market at the time of executing the trade.

**Market Orders:** Market orders are a buy or sell order to be executed immediately at current market prices. As long as there are willing sellers and buyers, market orders are filled.

**Limit Orders:** A limit Order is a take-profit order placed with the Firm to either buy or sell a set amount of a financial instrument at a specified price or better. The trade may not be executed if the price set by the customer cannot be met during the period of time in which the order is left open.