



# ORDER HANDLING & BEST EXECUTION POLICY 2019

## Revision history

Version	Policy Owner	Status	Revisions
1	Legal & Compliance	Approved by the Board	Original version

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## **INTRODUCTION**

Cordros Securities Limited is required to take all reasonable steps to seek and obtain, when executing orders on behalf of clients, the best possible results for its clients, taking into account the criteria and factors set out in this policy.

This policy outlines the reasonable steps to be taken by Cordros Securities Limited (Cordros) to ensure we achieve best execution for all clients and handle clients' orders in a fair, just and timely manner.

### **1. PURPOSE**

This policy sets out the firm's execution procedure and approach regarding clients' order execution in accordance with the requirements of the appropriate regulatory bodies, and best practices.

Cordros is also required to execute a client's order in a prompt, fair and expeditious manner, relative to other orders or the trading interest of the firm. This policy will also address Cordros' 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 Cordros on the Nigerian Stock Exchange (NSE), NASD, FMDQ or any other capital market trade point recognized and authorized by the Securities and Exchange Commission.

### **3. 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 favorable to the client under prevailing market conditions.

When executing trades on behalf of our clients, the traders have a duty to select brokers, dealers, or banks that will enable the Company obtain best execution for clients and comply with any applicable regulatory or legal requirements. Consequently, the trader must, when executing trades, exercise due care, skill, judgement and consideration for execution criteria (as detailed below) when handling clients' orders.

#### **i. Best Execution criteria**

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

- a) Price of the Financial instruments offered by the Execution Entity or Execution Venue;
- b) 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 costs
  - Clearing and settlement fees; and
  - Any other fees paid to third parties involved in the execution of the order
- c) Speed (how quickly the order can be executed)
- d) likelihood of execution and settlement
- e) Size of the order relative to other trades in the same financial instrument

- f) Nature of the order (impact on the market); and
- g) Other relevant factors

The relative importance of these factors will be determined based on our commercial experience and judgement in light of available market information, 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.

**ii. 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 the firm from taking the steps designed and implemented in this policy to obtain the best possible results for the execution of those orders in relation to 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 Account Officer and the Traders must ensure that all confirmed client orders are entered into the order books immediately and continue to pursue the execution of the mandate to buy/sell within ten (10) business days or as detailed in the client's mandate. If after this period, the trade has not been executed, the Account Officer should seek to revalidate the Client's order from the client unless expressly advised otherwise by the client in the initial order.

**iii. Execution Venue**

Execution venue means a regulated market or any other trading facility that performs a similar function. Cordros is a member of, and places significant reliance on the following venues when executing orders:

1. Nigerian Stock Exchange
2. FMDQ Securities Exchange Plc
3. NASD Plc

When executing a client's instruction, the factors listed in Clause 1 will be taken into account in our choice of executing agent (where necessary), venue and methodology for all financial instruments. In particular:

- a) Where we believe we can trade to the advantage of (or at no disadvantage to) the client in terms of price, speed of likelihood of execution impact, or any other relevant consideration, we will do so.
- b) 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.

Cordros selects its executing agent/s (entity) 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:

- a) The terms of the agent's execution policy, including costs and fees, where such a policy is available;
- b) The Agent's methodology in ensuring best execution is attained;
- c) The commercial experience of the Agent;

#### **4. ORDER HANDLING**

##### **i. General Principles**

- a) Cordros will provide for the prompt, fair and expeditious execution of an order, relative to other orders or the trading interests of the Company. This must allow for the execution of otherwise comparable orders in accordance with the time of receipt by us.
- b) When carrying out orders, we must:
  - I. Ensure that orders are executed as promptly as possible and subject to any client's instructions. In the absence of any technical issues or factors beyond the Control of the Company, Client orders that have been verified by the Compliance unit must be executed within five (5) minutes of it being received by the trading department, within the same business day. Where orders are not executed within five (5) minutes, a record of the reason must be made in writing and forwarded to the Internal Control department, with the Account Officer in copy;
  - II. Ensure that executed orders are promptly and accurately recorded and uploaded;
  - III. Ensure all orders are received in writing (hand written/email/text) or taken through recorded telephone lines from the client's registered number only (at the discretion of the Company); and
  - IV. 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.
- c) Orders received through multiple and different mediums will be handled properly with the aim of sequentially treating them where possible.
- d) Cordros will not trade on its own account ahead of a client's order, unless we immediately execute the customer order at the same or at a better price than we traded for our own account.
- e) Cordros will not aggregate a client's order with a trade for its own account (Proprietary trade).

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

Achieving best execution for Fixed Income and related securities will depend on the agreed transaction strategy. 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 and most seamless mode of settlement.

For Equities, Cordros will seek the most favorable bid/offer price available in the market at the time of executing any trade. This will be achieved by assessing the spread

between the best bid price and best offer price at the point of entry, in order to determine the appropriate time to execute a client's mandate.

iii. **Order allocation (Custodian Trades)**

Where a client's order is completed in full i.e. if Cordros 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 instances, we 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.

A client's orders will not be carried out in aggregation with another client's order unless

- a) Aggregation of orders and transactions does not cause any disadvantage to a client whose order is to be aggregated;
- b) The provisions relating to order allocation as set out below are complied with.

In aggregating trade orders and allocating available securities, Cordros must provide fair and equitable treatment to all clients.

With respect to Market Orders and Limit Orders, Cordros will not withdraw or withhold clients' orders for its convenience or any other person.

**Order Allocation procedure for aggregated orders**

a) **Allocation of completely filled order**

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

"...Clients A, B and C have requested 5,000, 4,000 and 6,000 respectively of security Y i.e. a total of 15,000 and the firm is able to buy 15,000, each client must be allocated the exact amount they requested..."

b) **Allocation of part filled aggregated order**

Where an aggregated order is part filled i.e. Cordros is not able to buy all the quantity required; Cordros must allocate the order in a fair manner to all the affected clients without favoring one client over another. Please see the example below for guidance:

"...A Portfolio Manager (PM) or Account Officer (AO) looking to purchase different quantities of the same security [company Y] for three 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 Portfolio Manager or Account Officer of the market availability of company Y's securities in the market and the PM or AO 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  $[50,000/100,000 \times 100\%]$  50% of the total initial order, whilst client B  $[20,000/100,000 \times 100\%]$  had a 20% allocation of the total order and Client C  $[30,000/100,000 \times 100\%]$  30 % of the total initial order. The PM 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 must be documented (including any variation from the ratios of the initial allocation) and must be communicated to the Client...”

- iv. **Potential conflicts of interest**  
No single account should be favored 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 or Account Officer.
- v. **Determining the initial Allocation prior to Trade Execution (Pre-trade allocation)**  
Initial mandate must be verified & determined prior to executing the trade, clearly indicating the participating clients’ accounts and allocations for each account.
- vi. **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 other factors, as described below, which may support non-pro rata allocations
- vii. **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 before selling out other clients’ position due to the client’s exposure to the security/sector, cash flow (liquidity needs, availability of cash) may form the basis of a non-pro rata allocation. In these situations, the Portfolio Manager or Account Officer must use reasonable fiduciary judgement in making a non-pro rata allocation that is in the best interest of all the affected clients. This should also be fully documented to demonstrate the rationale behind the decision and subsequent allocation.
- viii. **IPO offerings allocation (New Issues)**  
The firm maintains a strict policy on ensuring fair and equitable treatment of all clients when purchasing and allocating new issues. For all new issues, the PM or AO will take into account, the necessary factors such as the client’s instruction (where one is given), 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 PM or AO will have the responsibility for ensuring that, no special arrangement or any inducement scheme exists where the firm agrees to trade more with an executing agent as a result of a greater allotment of a new issue. **The** PM or AO looking to subscribe to the new issue on behalf of clients, must have a written record indicating the requested volume.

ix. **Cross trades**

Where the PM or AO 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 PM or AO through the Traders may cross the trade at the agreed price of the security, in line with applicable regulations. However, the PM or AO 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 and supported with relevant additional information, which sufficiently allows compliance and Internal Control have clear oversight of the process.

**5. MONITORING AND REVIEW**

Cordros will regularly monitor processes to identify transactions that may not have met order execution requirements as outlined in this policy through the Compliance and Internal Control & Audit departments.

The monitoring exercise 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 Executive Management and Investment Committee so resulting actions may be incorporated into the best execution process and policy.

**6. RECORD KEEPING**

Cordros 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 must be retained for each trade executed by the firm:

1. Competitive quotes and best bid/offer price at time of executing the trade (fixed income)
2. Price
3. Time order received
4. Execution time
5. Order Allocation records