

# **Ahli United Bank (UK) PLC**

## **Transaction Order Execution Policy**

## Version History / Control

Version	Description / Modification(s)	Date Approved by board	Author(s)	Reviewed by
1	Approved Policy	7 September 2012	Head of Compliance	AUBUK Board
2	Revised policy for regulatory changes	3 May 2013	Head of Compliance	CDEO FR&O
3	Refresh of Policy	3 November 2016	Head of Compliance	DCEO FR&O
4	Refresh of policy to comply with MIFID II	3 January 2018	Head of Compliance	DCEO FR&O
5	Refresh of Policy	April 2019	Head of Compliance	DCEO FR&O
6	Annual review	November 2020	Head of Compliance	DCEO FR&O
7	Annual Review	November 2021	Head of Compliance	DCEO FR&O
8	Annual Review	November 2022	Head of Compliance	DCEO FR&O

### Dependencies

1. This Policy draws from :
  - FCA Conduct of Business (COBS) Rules (11.2A)
  - Commission Delegated Regulation (EU) 2017/576 (“MiFID II”)
2. This Policy is referred to in and changes may therefore affect:
  - Investment Services Terms of Business with clients; and
  - AUBUK Electronic Communications Policy.

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## 1. Introduction and Context

- 1.1 The Board of Directors of Ahli United Bank (UK) PLC (referred to as “AUBUK”) has adopted this Transaction Order Execution Policy (the “Policy”) to establish the standards of ethical business behaviour and personal conduct for AUBUK’s Directors, its senior management (officers) and its employees.

All directors, officers and employees of AUBUK (“Personnel”) are expected to become familiar with the Policy and to adhere to the principles and procedures contained in this Policy.

- 1.2 The guidelines and principles which make up the Policy are based on accepted standards of business and personal conduct. This Policy is aligned with Ahli United Bank, B.S.C.’s and its subsidiaries and affiliates (together referred to as the “Bank”) Group Mission Statement and is linked to AUB Group Objectives and other policies adopted by the Bank such as the AUB Group Code of Business Conduct and AUB Group Compliance Manual.
- 1.3 This Policy outlines the minimum standards of behaviour expected from all Personnel. Those who violate the standards in this Policy will be subject to counselling and depending on the nature of the violation, possible disciplinary action up to and including termination of employment or service.
- 1.4 The purpose of the Policy is to provide the basic principles to guide Personnel in day-to-day activities in particular to explain the reasonable steps taken by AUBUK to ensure that we achieve ‘best execution’ – obtaining the best possible results for our customers when AUBUK carries out investment transactions on behalf of the client.
- 1.5 The Policy does not cover every legal or ethical issue that Personnel may be confronted by. Indeed, no Policy can attempt to anticipate every issue that may arise. However, by following the Policy and Procedures adopted to aid compliance with it, by adhering to the letter and spirit of applicable laws, regulations, policies and procedures, and above all by applying sound judgment to all activities, Personnel can demonstrate commitment to AUBUK’s values, mission and objectives.
- 1.6 AUBUK offers investment services to its client base – in particular investment advice, investment execution (for AUB funds and a limited list of funds). At present AUBUK does not offer dealing services to clients.

## **2. Fair Business Conduct**

- 2.1 AUBUK will always endeavour to deal fairly, honestly, professionally and in good faith with customers, vendors, competitors, regulators, and fellow employees, taking into account the customers' best interests.
- 2.2 AUBUK is committed to take all reasonable steps to obtain the best result for its client including when placing transaction execution orders; an obligation known as 'best execution'. This obligation applies even where the transaction has been delegated to a third party; wherever that other third party may be based and whether or not that other entity's local laws or regulatory requirements demand that it provide best execution. References in this Policy to AUBUK therefore include any third parties appointed by AUBUK to act on its behalf and references to Personnel extend to the Personnel of any third party to which AUBUK delegates any authority for executing transaction orders on its behalf.
- 2.3 AUBUK is responsible for ensuring that its systems, controls and procedures are robust and adequate. This responsibility rests with AUBUK's senior management. This Policy exists to document how AUBUK ensures fair business conduct by taking all reasonable steps to obtain the best possible transaction order execution result involving any financial instruments that AUBUK arranges for its clients.

## **3. Legal and Regulatory Obligations and Codes of Practice**

- 3.1 AUBUK must comply with principles and rules issued by the regulators. These rules implement European Union directives in particular the Markets in Financial Instruments Directive (MiFID 2). This Policy implements the regulators requirement that AUBUK has a Best Execution Policy.
- 3.2 Although AUBUK is not a member of any investment industry bodies it endeavours to meet the same standards of market conduct.

## **4. Client Classification**

- 4.1 All AUBUK clients who make use of AUBUK investment services will be classified either as Retail or Professional or Eligible Counterparties. Regardless of classification all investment clients will, for the purposes of best execution, be treated as Retail.

## 5. Specific Client Instruction

- 5.1 A specific instruction from a client may prevent AUBUK from following this Policy to achieve 'best execution'. In that event the client will be informed of the effect of his instruction and asked to confirm the instruction. The client's instruction will be executed as requested. AUBUK will take steps to achieve the best overall result for the client. AUBUK does not encourage any client to execute an order in a particular manner that would jeopardise 'best execution'.

## 6. Best Execution

- 6.1 All sufficient steps will be taken to obtain the best possible result, taking into account a range of execution factors, when executing client orders or placing orders with (or transmitting orders to) other entities to execute.
- 6.2 Execution factors include:
- (i) Characteristics of the client including the client categorisation;
  - (ii) Overall transaction costs including the market price and costs of executing the transaction;
  - (iii) Nature of both the financial instrument and the order (including order size);
  - (iv) Complexity of any settlement arrangements including likelihood of execution, settlement and speed of execution;
  - (v) Nature of the execution venues; and
  - (vi) Any other consideration relevant to the execution of an order.
- 6.3 Our best execution policy will apply to the execution of the client's orders that demonstrate they are truly done on behalf of the client. The relative importance of these criteria will be considered on an order by order basis according to market conditions and our commercial experience. However, when executing orders for Retail clients the price and costs of a transaction will usually be given priority.
- 6.4 To determine 'legitimate reliance' we will consider the following four tests (The Four Fold Test):
- (i) Which party initiates the transaction;
  - (ii) Questions of market practice and the existence of a convention to 'shop around';
  - (iii) The relative levels of price transparency within a market; and
  - (iv) The information provided by AUBUK and any agreement reached.

Where the consideration of the above factors concludes that the client is not legitimately relying on AUBUK, then best execution will not apply and the client will be informed.

## **6.5 Execution Factors**

### **6.5.1 Client Characteristics**

In general, AUBUK, will assume that clients who are classified as Retail clients will legitimately rely upon AUBUK to protect his or her interests in relation to the pricing and other parameters of the transaction.

Where a client has been classified as Professional, AUBUK will always endeavour to provide best execution but will also consider 'legitimate reliance' (see 6.4). Professional client orders in respect of Forward Foreign Exchange transactions will also be subject to the considerations explained in 8.4.2.

### **6.5.2 Overall Transaction Costs**

Costs incurred as a result of the transaction will be passed onto the client; which could make the overall consideration of the transaction uneconomic. Where possible AUBUK will seek those venues for a transaction that offer the best overall consideration. AUBUK receives a relatively low number of transaction requests and so the ability of AUBUK to group transactions to minimise costs etc. is limited.

#### **Market Price**

For most liquid instruments the total cost, which includes price, will be the overriding factor to obtain best execution; the price obtained will be offset by costs of the transaction. Certain financial instruments e.g. AUB funds will only have one price and one execution venue. When dealing with OTC products AUBUK will check the fairness of the price proposed to the client.

### **6.5.3 Nature of the financial instrument and order size**

AUBUK will take into account the specific nature of each order when considering how to execute it.

The best price quoted for a freely traded financial instrument is for a specific size which may not match the client requirements. This means that where the order exceeds the quoted size some of the order may not be traded at the best price – this situation occurs rarely at AUBUK and the customer will be consulted on the better action.

AUB and other third party funds usually require a minimum order size and sometimes a maximum order size. Where the client instruction does not fall within the required size limits for a fund the client will be advised and further instruction required.

### **6.5.4 Settlement Arrangements**

Some execution venues attract settlement costs. This will impact the total consideration received by the client and taken into account. AUB funds can only be settled by the relevant fund administrator where there are no settlement costs.

#### **Likelihood of Execution**

Some financial instruments are illiquid and therefore the likelihood of execution will be paramount and may supersede the price and costs factors when executing such a transaction to achieve "best execution".

### **Speed of Execution**

Where a financial instrument is frequently traded, the speed of execution will be a significant factor. Illiquid instruments will take longer to transact.

#### **6.5.5 Execution Venues**

For certain financial instruments, there may only be one execution venue, in which circumstances AUBUK shall adopt a presumption that best execution has been obtained.

The execution entity on which AUBUK places significant reliance is AllFunds Bank S.A. London Branch.

<b>Instrument Type</b>	<b>Execution Venue</b>
Third-party Funds	AllFunds
AUBUK REFM Funds	Fund Administrator specific to the fund
Foreign Exchange	AUBUK
Fixed Income	AUBUK

AUBUK regularly assesses the execution venues including reviewing their 'best execution' arrangements. AUBUK does not structure or charge commissions in such a way as to unfairly discriminate between execution venues.

## **7. Execution Methodology**

AUBUK will take account of all the above execution factors, giving weight to some more than others as explained above, before deciding the most appropriate venue(s) to execute the client instruction.

## **8. General Dealing Arrangements**

### **8.1 Equities**

AUBUK does not offer an equity dealing service. Clients may consider using the AUB facilities in Bahrain.

### **8.2 Third Party Collective Investment Schemes**

AUBUK will deal with a limited ranged of carefully vetted third party collective schemes. These will normally be executed using the Allfunds platform (which could change as a result of a review as above) which has been selected to give good all round performance and best execution.

### **8.3 AUB Collective Investment Schemes**

These schemes are usually highly illiquid, therefore AUBUK will be limited in the execution venues. Under these circumstances AUBUK deals directly with the relevant fund manager.

## **8.4 Foreign Exchange (“FX”)**

### **8.4.1 FX Market**

The FX market is a wholly ‘over the counter’ and ‘off exchange’ product. Any FX transactions where the settlement is 2 days or less in the future are not regarded as a financial instrument by the regulators for best execution purposes. AUBUK will always endeavour to ensure that the best result is obtained for our clients. Only FX transactions, where the settlement is more than two days in the future, are regarded as financial instruments by the regulators and must meet best execution purposes.

### **8.4.2 Forward Foreign Exchange (Professional Clients only)**

Where AUBUK provides ‘quotes on request’ (i.e. dealing on a request for quote or RFQ basis), AUBUK will consider the nature of the instruction in order to determine if best execution rules should be applied.

AUBUK will not generally presume to be receiving a ‘client order’, as part of providing a service in FX products.

The distinction between best execution and an RFQ is between

- (i) where the client legitimately relies on AUBUK to achieve the execution outcome i.e. for AUBUK to act on the clients’ behalf in protecting the clients’ interests (an order); and
- (ii) where the client merely requests or takes a price (an RFQ).

The above factors will be reviewed , for professional clients, when implementing our Best execution responsibilities.

## **8.5 Fixed Income**

Where AUBUK provides ‘quotes on request’ (i.e. dealing on a request for quote or RFQ basis), AUBUK will consider the nature of the instruction in order to determine if best execution rules should be applied. AUBUK will provide services limited to deal execution on behalf of customers, which will exclude any financial advice.

## **8.6 Other Financial Instruments**

AUBUK does not accept instructions for any other kind of financial instrument and will refer any enquiries to AUB BSC in Bahrain.

## **9. Order Aggregation**

- 9.1 AUBUK receives a low level of client orders and the situation whereby enough client orders are received to enable aggregation is not envisaged. However, orders would only be aggregated where it would be in the best interest of every client involved.

## **10. Client Notification**

- 10.1 AUBUK will ensure that clients are informed of this policy including 'best execution' in good time and where possible prior to any transaction.
- 10.2 If this policy is materially changed AUBUK will ensure that all of its clients are informed in good time.

## **11. Monitoring and Review**

- 11.1 AUBUK will monitor compliance with and the effectiveness of its transaction order execution arrangements and Policy in order to identify and, where appropriate correct, any deficiencies.
- 11.2 AUBUK will assess on a regular basis whether the execution venues included in this Policy provide for the best possible result for the client or whether AUBUK need to make changes to the execution arrangements. If any material changes are made to the AUBUK transaction order execution arrangements or execution Policy, AUBUK will notify its affected clients.
- 11.3 AUBUK will review its transaction order execution arrangements and its Policy annually or when ever a material change occurs that affects AUBUK's ability to continue to obtain the best possible result for the execution of client transaction execution orders.
- 11.4 This Policy is published on the AUBUK website at [www.ahliunited.com](http://www.ahliunited.com).