

# Best Execution and Client Order Execution

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## Purpose

This policy sets out how, Wells Fargo Securities International Limited "WFSIL" and Wells Fargo Bank London Branch "WFBNA LB", together "**Wells Fargo UK**" ensure they comply with the regulatory obligation to achieve the best possible result when executing orders on behalf of a professional client in financial instruments.

## Areas Primarily Affected

This policy applies to [team members](#) of:

- Wells Fargo UK.

## Policy Statement

When Wells Fargo UK executes a transaction with a client, it will either be acting on the client's behalf, or dealing with the client as an arm's length counterparty. If Wells Fargo UK executes a transaction on a professional client's behalf, it will provide "best execution".

This Policy only applies where Wells Fargo UK's client has been categorised as a professional client. Wells Fargo UK does not deal with retail clients and does not provide "best execution" to Eligible Counterparties "ECPs".

## Definitions

*For the meaning of "**Executing an order on behalf of a client**", "**Dealing**" or "**dealing as counterparty?**", "**client limit order**", "**execution venue**", "**financial instruments**", "**own account transaction**", "**resting order**", "**team members**" and "**trading venue**" that appear throughout the text of this Policy, please see Appendix 3.*

## Understanding Best Execution

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### Legitimate Reliance

When professional clients decide to deal with Wells Fargo UK against quoted prices, the presumption is that such professional clients do not place legitimate reliance on Wells Fargo UK to provide best execution. A client should contact Wells Fargo UK where it believes there is legitimate reliance on Wells Fargo UK to provide best execution, so that an appropriate assessment can be made.

### Asset / Product Classes

Wells Fargo UK divides its client order execution capabilities within divisions determined by asset/product class. In respect of some classes Wells Fargo UK will act primarily as dealer, in respect of others it may also act on behalf of clients.

## **Execution, reception and transmission of orders**

Generally, where Wells Fargo UK is acting on a client's behalf, it will either handle resting orders as detailed in this Policy, or may, at its discretion pass such orders to another firm(s) to execute. Such other firm(s) may be connected or affiliated with Wells Fargo UK. In these circumstances, Wells Fargo UK will satisfy itself that the other firm has arrangements in place to enable Wells Fargo UK to comply with this Policy. In the case the other firm is outside the UK, Wells Fargo UK will require that orders are executed according to local rules and regulations.

### **Best Result**

When executing orders on behalf of clients, Wells Fargo UK is required to take sufficient steps to obtain the best result for its clients (provide "best execution"). Wells Fargo UK will meet this requirement by considering all relevant 'execution factors' and the characteristics of the: client; order; financial instrument(s) that is the subject of the order; and venues on which the order can be executed.

Best execution does not mean obtaining the best price for every client order; rather it means Wells Fargo UK ensuring the best possible result that can reasonably be expected (directly or indirectly) is achieved on a consistent basis in line with the resources available. When passing orders to execution venues and third parties for execution Wells Fargo UK will meet its best execution obligations by selecting execution venues and entities where the quality of execution is such that Wells Fargo UK can consistently achieve best execution.

### **Specific Instructions**

Where Wells Fargo UK receives a legitimate instruction from a client, which covers one part or aspect of an order by specifying how an order is to be executed with respect to one or more execution factors, Wells Fargo UK will execute the order following the specific instruction whilst still considering the relevance of the other execution factors so as to meet Wells Fargo UK's best execution obligations in respect of any other part or aspect of that order which is not covered by the specific instruction.

Wells Fargo UK will not induce a client to instruct it to execute an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction to the client, when Wells Fargo UK ought reasonably to know that an instruction to that effect is likely to prevent it from obtaining the best possible result for that client. However, this should not prevent Wells Fargo UK from inviting a client to choose between two or more specified trading venues, provided those venues are consistent with Wells Fargo UK's execution policy.

### **Execution Venues**

When Wells Fargo UK executes orders on a client's behalf it will look to achieve the best result by selecting execution venues that consistently allow it to achieve the best result.

Venues can be:

- UK Regulated Markets (usually exchanges where companies have their securities listed or admitted to trading and also those exchanges where derivatives are listed and traded),
- Multi-lateral Trading Facilities ("MTF"s ) and Organised Trading Facilities ("OTF"s),
- Systematic Internalisers ("SI"s); investment firms which on an organised substantial frequent and systematic basis deal on own account by executing client orders outside a trading venue (i.e. regulated market, MTF or OTF), and
- Market makers and other liquidity providers that have similar functions to any of the above (which include third-country regulated markets and exchanges)

Execution venues may avail themselves of applicable pre and post trade transparency waivers, as applicable.

## **Over The Counter (OTC) and Express Consent**

Orders executed other than through the order books of a UK trading venue (or an equivalent third country venue) are considered as OTC executions. This Policy provides for OTC executions including the possibility that orders may be routed to Wells Fargo UK or an affiliate acting as an execution venue. Express consent from the client is required before Wells Fargo UK may proceed to execute client orders in such a fashion, and where appropriate Wells Fargo UK seek such consent by way of general agreement i.e. within the Terms of Business, stand-alone consent letter, or individually in relation to specific transactions.

Express consent will not be required for an OTC execution in situations where the relevant financial instrument is not listed on or admitted to trading on a UK trading venue.

## **Execution in OTC Products**

Before executing orders or taking decisions to deal in OTC products, including bespoke products, team members must systematically check the fairness of the price being offered to the client. This should be done by gathering market data used in the estimation of the price and, where possible, comparing it using proprietary or third party vendor analytical tools with similar or comparable products.

These systematic checks are designed to ensure that Wells Fargo UK is able to justify all OTC pricing decisions and that any judgements or decisions are taken with the clients' best interests in mind and are not biased by actual or perceived conflicts of interest.

## **OTC Risk Factors**

There are some consequences of trading OTC that clients should be aware of. Wells Fargo UK's professional clients should inform themselves and take advice where appropriate regarding these consequences. By way of example, and not an exhaustive list, consequences of trading OTC can mean that transactions are not carried out subject to the rules of a UK trading venue, that counterparty risk may arise if the transactions are not cleared, that transparency obligations which are discharged by a trading venue fall to the OTC counterparts to discharge.

## **Execution venues chosen by and relied upon by Wells Fargo UK**

A non-exhaustive list of the venues chosen by and substantially relied upon by Wells Fargo UK and which it considers will consistently provide for the best result when executing orders on behalf of clients, are listed at Appendix 1. The venues listed also include those where Wells Fargo UK may execute client orders where no best execution obligation is owed. The venue list includes Wells Fargo UK when it acts as dealer. The majority of the listed venues are venues where there is no alternative for the financial instrument in question or third-country venues subject to third-country rules and regulations

Where competing venues are possible, Transaction Cost Analysis tools provided by third party vendors are used, both ex-ante and ex-post, to ensure the best result is consistently achieved and to provide formal analysis of execution quality.

Where only a single execution venue is possible, for example in the case of listed non fungible futures and options, the venue selection process will reflect the absence of choice. Wells Fargo UK will route orders in such instruments to the relevant (single) venue, and execution of the order in compliance with the venue's applicable rules and trading procedures will be regarded as achieving the best result when acting on a client's behalf.

Where there is more than one execution venue for a financial instrument but only a single execution venue is selected, Wells Fargo UK will evidence its reasonable expectation that the selected

execution venue is able to consistently provide the best results for clients. The evidence will comprise:

- the execution quality data set out in Wells Fargo UK annual Best Execution report; and
- a review, annually or more frequently if appropriate, of whether new execution venues, functionalities and execution services have been developed in order to determine whether the decision to select a single venue continues to be justifiable.

### **Review of new Execution Venues**

Wells Fargo UK will monitor, review, and assess the choice of Execution Venues on at least an annual basis. In carrying out the monitoring and review, team members will:

- (a) consider the data relating to the quality of execution of transactions published quarterly by the execution venues;
- (b) consider any other relevant source of data; and
- (c) benchmark the value of expected aggregate price improvements by adding a venue and comparing the expected outcomes against an assessment of any additional direct, indirect or implicit costs (to the extent that such costs would be directly or indirectly passed on to clients), counterparty or operational risks.

Wells Fargo UK does not receive fees, rebates or inducements from execution venues, except as disclosed in this policy. Wells Fargo UK will also take steps not to structure or charge its commissions in such a way as to discriminate unfairly between execution venues.

### **Execution where there are competing chosen venues**

Where there are multiple chosen UK venues capable of executing an order (as listed in Appendix 1) team members must assess and compare on an ex-ante basis:

- the results that would be achieved for the client by executing the order on each listed execution venue;
- the costs of executing the order on each listed execution venue; and
- Wells Fargo UK's own commissions, if any, on each listed execution venue.

### **Execution where there is a single venue**

Team members must submit the order to the relevant venue in compliance with the venue rules and procedures, taking into account any specific client instructions.

## **General**

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Wells Fargo UK will normally send or route a resting order to one or more execution venues, directly or via a member of the relevant venue(s) or via an affiliate, chosen in accordance with this Policy.

The decision making process concerning the routing of an order may take into account as appropriate the 'execution factors' of price, costs, the financial instrument, speed, size, confidentiality, likelihood of execution and settlement, or any other relevant consideration.

Orders may at Wells Fargo UK's discretion be reviewed during their execution life cycle and amended, for example by changing the venue choice or by the amounts of order sent to any particular venue or combination of venues, where this is considered appropriate or desirable for best execution purposes. Where there is only one venue this may not be possible.

## **Use of Affiliates**

It is common practice for global financial services / banking groups to use shared services. Shared services may include Information Technology, risk management, clearing and settlement. Wells Fargo UK uses shared services. Shared services are documented pursuant to outsourcing arrangements, and appropriate service level agreements are in place between the users and providers of group shared services.

Wells Fargo UK uses the services of affiliates to access third-country markets. Affiliates may be used in an intermediary and / or in a dealer / liquidity provider capacity. Fees paid for such affiliate use may be rebated back to Wells Fargo UK in whole or part.

## **Determining the relative importance of execution factors**

### **Price**

The factors can vary from asset / product class on a case by case basis and by individual client. Wells Fargo UK can be instructed by clients as to their preference. For example, clients may instruct Wells Fargo UK that the most relevant execution factor is price meaning that in taking sufficient steps to achieve the best result for its client a greater weighting will be allocated by Wells Fargo UK to price. By way of contrast an order placed "at market" will have a greater weighting given to the execution factor of 'speed' (of execution).

Absent any instruction to the contrary, Wells Fargo UK will assign the greatest weight to price and cost for all asset / product classes.

### **Client Confidentiality**

Wells Fargo UK treats all client orders as confidential. Publication of client resting orders to one or more execution venues may not always result in the best result being achieved, particularly if the financial instrument is not liquid, and / or the order is Large in Scale "LiS" or above the Size Specific to the Instrument "SSTI".

### **Shares**

Client limit orders in respect of shares which cannot be immediately executed orders must be made public unless the client instructs otherwise. Unless we are notified to the contrary in writing, we will have received express instructions from our clients (pursuant to our Terms of Business or otherwise) not to publish unfilled limit orders, unless we decide in our discretion to do so.

### **Debt**

When Wells Fargo UK receives a resting client order in an illiquid financial instrument or in a size larger than LiS or SSTI, it will generally use only itself as the execution venue to fill such an order so as to avoid any possible information leakage concerning the size and nature of the client order.

## **Execution Strategies**

Depending on asset / product class, Wells Fargo UK offers various order execution strategies, including algorithmic strategies. More details are provided in the asset / product class section of this document.

## **Client Characteristics**

Wells Fargo UK will take into account certain client characteristics, such as understanding and experience of the market in question, dealing profile, the nature of the execution service required and the specific and general instructions given which may prioritise how orders are sent, routed or executed.

## **Policy Review**

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### **Regular monitoring and review**

Wells Fargo UK will monitor, review, and assess this Policy's effectiveness at least an annual basis, and whenever a material change occurs which may affect Wells Fargo UK's ability to consistently achieve the best result using a chosen venue. Changes to the execution arrangements following from such monitoring will be made as Wells Fargo UK considers appropriate.

The review will include an assessment of the execution venues listed in Appendix 1 to ensure that they provide the best possible result for clients, taking into account:

- (a) data published by each execution venue on the quality of the transactions it has executed; and,
- (b) the annual summaries of investments firms' top five execution venues and / or brokers used.

## **Communications with Clients**

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### **Client consent**

This Policy should be read alongside Wells Fargo UK Terms of Business related to Investment Services and Ancillary Services. By entering into a contract with Wells Fargo UK for investment services or by giving Wells Fargo UK orders for execution, a client is deemed as giving its consent to this Policy unless Wells Fargo UK is expressly notified otherwise.

### **Order execution enquiries**

Where a client wishes to query an order execution, such client may ask Wells Fargo UK to demonstrate that it has executed an order in compliance with the Policy.

### **Best Execution Reports**

Wells Fargo UK will publish a report in April of each year, for each class of financial instrument where best execution has been applicable. The report will include:

- a) the analysis and conclusions drawn from the detailed monitoring of execution quality, and
- b) the top five execution venues and brokers used in terms of trading volumes for all client orders that have been executed in the preceding year, including the following information:
  - i) volume of client orders executed using each execution venue or broker expressed as a percentage of total executed volume ;
  - ii) number of client orders executed by each execution venue or broker expressed as a percentage of total executed orders; and
  - iii) confirmation of whether Wells Fargo UK has executed an average of less than one trade per business day in the previous year in that class of financial instrument;

The reports will be freely available on the Wells Fargo UK website. They will be machine readable and available for two years after publication.

## Client Order Handling

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### **How Wells Fargo UK provides for prompt, fair and expeditious execution of client orders**

Team members will execute comparable client orders promptly and sequentially, unless the characteristics of the order or prevailing market conditions make this impossible or impracticable, or the interests of the client require otherwise. In all instances, team members will ensure that clients are treated fairly.

Orders will not be treated sequentially if they are received by different media, for example, one order is received by telephone and another order by electronic means.

Team members will ensure that:

- all client orders are promptly and accurately allocated;
- all client orders are promptly and accurately recorded both at the point of receiving the order and at the point of its execution; and
- they do not act in any way on information obtained from, or related to, pending client orders which would amount to misuse of that information.

### **Aggregation of client orders.**

Team members will only aggregate a client order with another client order or with an own account transaction if it is unlikely that:

- (a) the aggregation will work overall to the disadvantage of any client whose order is to be aggregated; or
- (b) the allocation of the related trades will be carried out in a way that is detrimental to the client.

### **Allocating client orders**

Wells Fargo UK will allocate all orders fairly and will not give preference to any one client over another. Wells Fargo UK will endeavour to ensure that the allocation of partially executed aggregated orders is done on a fair basis. Allocation of partially executed orders will be effected primarily on the basis of the time that the relevant orders were received and a secondary consideration will be the relative sizes of the respective orders. In all instances, Wells Fargo UK will take steps to ensure that all clients are treated fairly.

If Wells Fargo UK has aggregated client orders with any Wells Fargo UK own account orders and it cannot complete the total order, it will fill the client orders first - unless it can show that without Wells Fargo UK's participation the order could not have been filled on such favourable terms or at all. In these circumstances, Wells Fargo UK may allocate the order to its account as appropriate. Should this be the case, Wells Fargo UK will document the reasoning behind this decision.

## Roles and Responsibilities

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### Express consents

When dealing with an established client for the first time outside of a trading venue, team members will check the client static data system of record or client on-boarding team to ensure the client has given its 'Express consent' to Wells Fargo UK executing their order away from a UK trading venue. When setting up a new trading relationship with a client, these consents will be obtained prior to dealing, as necessary. In practice, Wells Fargo UK will ordinarily obtain the required consent at the account opening stage.

## Policy Governance

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### Escalation and Exceptions

This policy cannot account for every possible situation. To address a situation not covered by this policy, request a change to this policy or the related standards, or recommend an alternative practice, business managers will contact the policy manager.

The policy manager will work with the requesting business to address the needs and escalate the request as necessary.

The discussion may result in an exception request, exemption request, change to existing policy, alternate policy for certain businesses, or directive for the business to comply with existing policy. Businesses are expected to initiate this discussion before the business is out of compliance or immediately after a policy violation has been discovered.

If the decision is to pursue an exception, exemption, or alternate policy, it must be recorded in the Policy Exception Management System.

If the business does not agree with the decision, or if the policy manager determines the risk warrants further escalation, matters will be escalated to the policy director as appropriate.

### Violations

Failure to comply with this policy, without appropriate prior approval, is a policy violation. Policy violations may result in corrective action, including termination of employment.

If a policy violation occurs, the situation must be escalated and related remediation actions taken in a timely manner. Issues must be recorded in the Shared Risk Platform's Issue Management solution when required under the criteria established in the Issue Management Policy.

### Policy Authority

The following roles provide leadership and oversight of this policy and its content, as defined in the Policy Management Policy:

- Executive Officer: Head of EMEA Compliance
- Policy Director: Head of EMEA Markets Compliance
- Policy Manager: EMEA Head of Regulatory Knowledge and Awareness



## Related Information

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### Related Law or Regulation

#### Markets in Financial Instruments:

- Delegated Regulation: Recital 99, 100, 102, 103, 104, 105, 106, 107, 108.
- Delegated Regulation: Article 64, Best Execution criteria
- Delegated Regulation: Article 65, Duty of investment firms carrying out portfolio management and reception and transmission of orders to act in the best interests of the client
- Delegated Regulation: Article 66, Execution policy
- Delegated Regulation: Article 68, Aggregation and allocation of orders
- Delegated Regulation: Article 69, Aggregation and allocation of transactions for own account
- Delegated Regulation: Article 70, Prompt fair and expeditious execution of client orders and publication of unexecuted client limit orders for shares traded on a trading venue

#### UK regulator rules:

- COBS 2.3
- COBS 2.3A
- COBS 11.2A Best execution
- COBS 11.3
- COBS 11.4

#### Related Policies or Resources

- Data Protection and Privacy Policy [EMEA]
- Client Categorisation policy (ECM,WFAMI,WFSIL, WFSIL-FF and WFBNA-LB)

## Appendix 1

### Execution Venues and Strategies

	Execution venues / brokers used for professional client orders	Additional Execution venues chosen by clients	Execution Strategies
US Equities – shares and depositary receipts	<p>Various USA execution venues including: NYSE, Level ATS, Wells Fargo Securities LLC, NYSE Archipelago, Union Bank of Switzerland ATS NASDAQ, BATS, IEX Exchange. NYSE ARCX Nasdaq OTC Bulletin Board</p> <p>The execution venues are accessed via our affiliate Wells Fargo Securities LLC which may also act as execution venue.</p>		
Debt instruments (a) Bonds, Government, Municipal, Agency and Corporate (incl. Convertible, HY and ABF) (b) Money market instruments	Wells Fargo UK	Marketaxess Tradeweb Bloomberg	
Interest rate Derivatives Swaps, forwards and other interest rate derivatives	Wells Fargo UK		Interest rate Derivatives Swaps, forwards and other interest rate derivatives
FX / Currency Derivatives (a) Futures and options admitted to trading on a trading venue (b) Swaps, forwards and other currency derivatives	Wells Fargo UK	360T FX All FX Go	FX / Currency Derivatives (a) Futures and options admitted to trading on a trading venue (b) Swaps, forwards and other currency derivatives
Listed futures and Options, including Commodities and emission allowances Derivatives (a) Options and Futures admitted to trading on a trading venue (b) Other commodities derivatives and emission allowances Derivatives	<p><u>USA / Canada</u> CME, CBOT, NYMEX, COMEX, KCBOT, MGEX, ICE, CFE, Montreal, CBOE</p> <p><u>UK</u> ICE, LME</p> <p><u>EEA</u> EUREX, IDEM, MEFF, EURONEXT</p> <p><u>APAC</u> SFE, SGX, HKFE, TSE, OSE Direct Market Access DMA given by third party brokers or affiliates.</p>		<p>Execution strategies based on benchmarks: VWAP TWAP POV POV Axis</p> <p>Execution strategies based on contingent events and other scenarios: details available on request from the FCM desk</p>

## Appendix 2

### Asset / Product Class information

Asset/ product class	Description	Application
Debt	Government, Agency, Corporate (incl Convertibles, HY and ABF)	<p>Wells Fargo UK current business model is to act primarily as a dealer.</p> <p><u>Out of Scope</u></p> <p>Clients typically initiate transactions by requesting quote / dealing prices. They generally have the ability to “shop around” and place no reliance on Wells Fargo UK.</p> <p>The prices quoted are “all-in” prices. No further costs are charged.</p> <p><u>In Scope</u></p> <p>When clients leave resting orders, or place reliance on Wells Fargo UK.</p>
OTC Financial derivatives	Interest rate and currency derivatives, including forwards, options and swaps.	<p>Wells Fargo UK current business model is to act primarily as a dealer.</p> <p><u>Out of Scope</u></p> <p>Clients typically initiate transactions by requesting quote / dealing prices. They generally have the ability to “shop around” and place no reliance on Wells Fargo UK.</p> <p>The prices quoted are “all-in” prices. No further costs are charged.</p> <p><u>In Scope</u></p> <p>When clients leave resting orders, or place reliance on Wells Fargo UK.</p>
US Equities	Shares and depositary receipts	<p>Wells Fargo UK current business model is to offer an execution only service for US Equities. Client orders are sent to a USA affiliate, Wells Fargo Securities LLC for placing onto various US execution venues, or for execution itself as an execution venue. Fees charged by the affiliate for this service are rebated back to Wells Fargo UK. Any dual listed shares between the USA and EEA will be executed in the most liquid market unless instructed otherwise.</p> <p><u>In Scope</u></p> <p>All client orders.</p>
Listed futures and Options		<p>Wells Fargo UK current business model is to offer an execution only service for listed futures and options. Client orders are placed onto various markets, via market members or affiliates.</p> <p><u>In Scope</u></p> <p>All client orders.</p>

## Appendix 3

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### Definitions

#### Executing an order

##### on behalf of a client

is where a client has placed a resting order, or

Wells Fargo UK deals as principal and not as agent but assumes similar duties to those of an agent.

This includes where Wells Fargo UK executes a resting order as principal (riskless or against proprietary capital), or has been given authority to exercise discretion to deal on a client's behalf and Wells Fargo UK explicitly agrees to this authorization.

##### "Dealing" or

##### "dealing as counterparty?"

is where Wells Fargo UK deals as an arm's length counterparty as principal against proprietary capital, without giving any undertaking to provide best execution, without legitimate reliance being placed upon Wells Fargo UK, and not in relation to the execution of a resting order. This includes where Wells Fargo UK, in response to client requests, provides quotes/prices upon which a client can deal, and the client decides to deal with Wells Fargo UK at one or more of those quoted prices.

##### client limit order

is an order to buy or sell a financial instrument at a specified price limit or better and for a specified size.

##### Delegated Regulation

means Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, as it forms part of UK law by virtue of section 3 of the European Union (Withdrawal) Act 2018

##### execution venue

is a regulated market, an MTF, an OTF, a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

##### financial instruments

are those instruments specified in Part 1 of Schedule 2 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001/544.

##### own account transaction

is a principal transaction using Wells Fargo UK's proprietary capital.

##### resting order

is a client order the terms of which mean it is not immediately executable.

##### team members

all employees of the Wells Fargo group contracted to work or assigned to in relation to Wells Fargo Securities International Limited, and Wells Fargo Bank, N.A. - London Branch, regardless of whether the employee is classified as full-time, part-time or otherwise; and/or

all third party service providers, as defined in the Third Party Service Provider Policy, contracted to work in relation to Wells Fargo Securities International Limited, and Wells Fargo Bank, N.A. - London Branch, to the extent that the terms of their engagement require compliance with this Policy.

##### trading venue

is a regulated market, a MTF or an OTF.