

# Order Execution Policy

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## 1

# Introduction

Nutmeg is required, as specified in Chapter 11.2A of the Financial Conduct Authority ("FCA") Conduct of Business Sourcebook (COBS), to establish an Order Execution Policy explaining how we take all sufficient steps to achieve best execution. This policy details our approach to meeting Best Execution obligations and achieving the best possible result for our clients consistently.

### **1.1 Financial Instruments**

Nutmeg invests solely in Exchange Traded Funds (ETFs) listed on regulated exchanges.

### **1.2 Client Classification**

Nutmeg classifies all clients in its UK discretionary portfolios as retail clients, as defined in Chapter 3.4 of the COBS.

### **1.3 Client Orders**

Nutmeg is a discretionary investment manager and does not take client orders or instructions.

## 2

# Best Execution Factors & Considerations

As all Nutmeg clients are classified as Retail, we determine the best possible result for our clients in terms of 'Total Consideration', representing the execution price and the costs related to execution. When executing orders, we take into account the following execution factors, in order of priority:

- **Price** – we will always endeavour to achieve the best possible price every time we trade and consider this to be the most important factor when executing orders. Nutmeg will only accept the best price available when dealing with multiple counterparties.
- **Costs** – all costs related to execution will be considered to determine the best possible outcome for clients in terms of total consideration.
- **Size & nature of the trade** – are considered during the Trading Team's pre-trade analysis to determine the most appropriate execution method and venue.
- **Speed of execution** – we allow sufficient time for competing quotes from multiple counterparties.
- **Likelihood of execution & settlement** – Likelihood of execution is evaluated to determine which counterparties we engage with and how we choose to trade the security. Settlement is continuously monitored, any counterparty that has sub-standard settlement performance will be evaluated to see if they are still deemed suitable for Nutmeg to trade with.
- Any other considerations relevant to the execution of the trade are taken into account.

When assessing the relative importance of the best execution factors, we consider the following criteria:

- The characteristics of the client; all Nutmeg's core clients are classified as Retail.
- The characteristics of the order.
- The characteristics of the financial instrument that is the subject of that trade; Nutmeg trades solely ETFs.
- The characteristics of the execution venues to which that order can be directed.

### 3

## Nutmeg Trading Arrangements

Nutmeg uses its discretion to select the execution method and venue for each order following pre-trade analysis conducted by the Trading Team, in line with our Order Execution Procedures document.

The size and nature of the trade is assessed on several factors including Average Daily Volume (ADV) of the relevant ETFs, liquidity of the ETFs underlying assets, similarity of assets between trades and overall long/short exposure of all trades.

Nutmeg's execution methods include Retail Service Providers (RSP), Bloomberg's execution Management System (EMSX), Instant Bloomberg Chat, TradeWeb or tape-recorded telephone lines. We use an internal Smart Order Router (SOR) to execute orders via RSP and Bloomberg EMSX or TradeWeb to send orders to its Request For Quote (RFQ) platform.

Depending on the size of the trade, the Trading Team will use one of the following benchmarks when executing:

- **At Best Price** – The best price received when quoting multiple market maker will be accepted when using Retail Service Providers (RSP) or Bloomberg Request for Quote (RFQ);
- **At Best Ratio** – contingent trade executed at best ratio received from multiple market makers via Bloomberg chat when both a buy and a sell trade are contingent on each other;
- **Time or Volume Weighted Average Price (TWAP/VWAP)** – Orders can be executed over a period of time against a benchmark that is either time or volume weighted;
- **Net Asset Value (NAV)** – To create/redeem ETF's the closing NAV of the ETF will be used as the price.

The Trading Team conducts post-trade analysis to evaluate Nutmeg's performance in line with our Best Execution obligations, this includes price performance and Transaction Cost Analysis (TCA).

In the event of trading errors, the Trading Team will raise an incident with Compliance as per the Incident Management procedure.

### 3.1 Best Execution Monitoring

Nutmeg's Trading Team conduct post-trade Best Execution analysis to evaluate the execution performance against market prices at the time of each trade and other quantitative and qualitative criteria. Any slippage is investigated by the Operations Director to find the cause of the cost and evaluate if there is a need for any change in Nutmeg's execution processes. The Compliance team review the Trading Team's post-trade analysis monthly. Key Risk Indicators are used to monitor adherence to our Order Execution Procedures. On a monthly basis the Investment Team analyse the market and client booking data to evaluate the distribution of trades in the market and internal netting to calculate the impact of trading costs.

### 3.2 Execution Venues

Nutmeg uses its discretion to select the most appropriate execution venue, considering best execution factors, to achieve the best possible result for our clients. We will execute trades on one or more of the following venues:

- Regulated market – namely the London Stock Exchange (LSE) via Retail Service Providers (RSP)
- Multilateral trading facilities (MTFs)
- Systematic Internalisers (SIs)

A list of Nutmeg's execution venues and counterparties is contained in Annex 1.

### 3.3 Market Maker Selection

Nutmeg trades with Market Makers and establishes trading relationships based on fulfilment of the following criteria:

- Holds membership of the London Stock Exchange
- Registered with the FCA and/or an equivalent regulated body
- Does not charge explicit commission on trades

- Is registered with Nutmeg's sub-custodian
- Is able to transact trades by RFQ (Request for Quote, via Bloomberg or TradeWeb) or RSP (Retail Service Provider, via our Smart Order Router).

Nutmeg is committed to ensuring the Trading Team has access to a depth of Market Making expertise to ensure the best possible outcome for our clients. Market Makers' performance will be continuously assessed based on a variety of performance criteria, with trade data updated after every trade cycle. This performance data forms part of the Trading Team's pre-trade analysis, further enabling Nutmeg to achieve best execution by selecting the most appropriate execution venue.

The Investment and Trading teams reserve the right to cease to request quotes from any Market Maker deemed to be continually uncompetitive, or surplus to requirements.

### **3.4 Trade Aggregation & Allocation**

Part of Nutmeg's pre-trade check is to analyse each client's investment requirements based on the level of cash in their account and their risk profile. Each client is given a 'pre-trade allocation' across several ETFs. In order to offer fractional positions to customers, we aggregate pre-trade allocations for clients and for ourselves (as principal) when we execute trades. This has significant benefits that help us achieve best execution for our clients as we are able to take advantage of institutional execution prices and keep execution costs as low as possible by carrying out fewer market transactions. However, the aggregation of orders may operate, on some occasions, to a client's disadvantage in relation to a particular order.

We ensure that all aggregated pre-trade allocations are equal to market orders before execution and will only execute a market order if we can guarantee 100% of the order will be filled, meaning there will never be any partial allocations. Once executed, all trades are then allocated to clients based on the pre-trade allocations calculated prior to trading.

### **3.5 Market Distress – Contingent Arrangements**

During periods of market distress, Nutmeg can utilise a number of execution methods in the event of a lack of liquidity on the RSP system. As Nutmeg only trades twice a week, it is likely that, in the event of a considerable lack of liquidity across the whole ETF market, we would hold off from trading until liquidity returns to the market, as trading when

there is an absence of liquidity could result in less than favourable prices being achieved due to liquidity premiums or discounts. If trading during a period of market distress is necessary, and there is a lack of viable liquidity on the RSP system, our trading team can transmit orders via Bloomberg RFQ. We also have access, via Bloomberg chat or telephone, to all market makers that we are engaged with.

### **3.6 Nutmeg Trading Cycle**

Nutmeg typically trades twice per week. The days and time of trading are subject to change as Nutmeg uses its discretion to trade at the most suitable time for the aggregated trades that it will execute in the market in order to achieve the best result for our customers. Nutmeg may trade less frequently than twice per week due to conditions outside of its control which include, but are not limited to:

- When any ETF in the Nutmeg universe of stocks is suspended from trading
- When the London Stock Exchange is closed due to planned holiday, suspension or system issues
- Working weeks with 3 working days or fewer
- To allow for settlement of corporate action or Net Asset Value (NAV) trades.

Nutmeg may also trade more frequently than twice weekly should it require to do so to enable timely re-balancing of portfolios.



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