

Best Execution

How we execute and
arrange transactions
for you

Barclays Bank PLC



Schedule 1: Best Execution – How we Execute and Arrange transactions for you

Introduction

Barclays Executes and Arranges orders in various asset classes depending on the products and services we are providing to you. Asset classes include equities, debt instruments, collective investment schemes, derivative instruments and foreign exchange. In carrying out this activity we will Execute orders directly with a trading venue (such as a Regulated Market, Multilateral Trading Facility or Organised Trading Facility) or with counterparties that are systematic internalisers or market makers. We may also Arrange transactions for you by transmitting orders to counterparties to Execute.

Before we complete any transactions in investments for you, it is important that you understand how we will Execute or Arrange such transactions. The information contained in this policy is a summary of our best execution policies and is designed to provide you with a general understanding of our typical dealing arrangements for different asset classes (Part 3) and the execution venues and other counterparties (such as investment firms) to which we transmit orders (Part 4). Please note that this information should not be seen as a prescriptive statement of how a particular order must be dealt with.

Best execution is the requirement to take all sufficient steps to obtain, the best possible result for you taking into account various execution factors relevant to the order. It applies both when we Execute orders and Arrange transactions for you.

Part 1 – When we apply best execution to your investment transactions

We will apply our best execution standards to all of your orders. This is consistent with the general principle that your classification (whether you are classified as a retail, professional or eligible counterparty), whilst an important factor in the overall context of our relationship, will not be usually considered in terms of the quality of execution we obtain for you. If you are an eligible counterparty client best execution will not apply.

Responsibility for best execution applies not only to ourselves but also to other entities with whom we interact on orders. When we place or transmit your orders (i.e. Arrange them) (rather than Executing them ourselves) we will act in accordance with your best interests and ensure that the entities with which we Arrange for execution of your order (including where we may utilise a counterparty's proprietary algorithmic trading) have execution arrangements that enable us to obtain the best possible result for you.

Best execution is delivered by an appropriate consideration of a number of execution factors outlined in the next section.

Part 2 – Factors affecting our selection of an execution venue for orders including the process by which we determine the relative importance of certain execution factors

When Executing or Arranging a transaction on behalf of a retail client, best execution is primarily determined in terms of Total Consideration. Total Consideration is the price of the relevant financial instrument, plus the costs related to execution, including all expenses incurred by you which are directly related to the order such as execution venue fees, clearing and settlement fees and any other fees paid to entities involved in the order (express costs) and implicit costs such as market impact. While the same process is applied in practice for orders we Execute or Arrange for clients who are not categorised as retail clients, we may also bear in mind your investment objective on a case by case basis when determining how to achieve the best outcome for your order and total consideration may no longer be the overriding factor.

There are other execution factors to be considered and which may be used over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of total consideration. These are:

- (a) speed of execution;
- (b) likelihood of execution and settlement;
- (c) size and nature of order;
- (d) market impact; and
- (e) any other implicit transaction costs.

In coming to our determination, we will consider the type of financial instrument that is the subject of the order, the type of order and its specific characteristics, such as the size of the order and liquidity of the underlying, as well as the execution venues to which the order could be directed or the investment firms to which the order can be passed when we are Executing.

Client instructions and market impact will be crucial in the selection process but we will also consider:

- (a) Historical volumes
- (b) The time of day
- (c) The spread
- (d) Any limit price you supply as part of your instructions
- (e) Historical performance of the counterparty and the algorithms they make available to us for an order to be Executed in line with specific parameters.

Where you provide a specific instruction.

Our ability to achieve the best possible result, and hence our obligation to do so, will be limited to the extent that we are following a specific instruction from you. For example, where we are given specific instructions on the use of a counterparty or other execution venue this may prevent us from achieving the best possible terms for the order. Where any instruction relates to only part of the order, we will continue to apply our order execution policy to those aspects of the order not covered by the specific instruction.

Where we receive specific instructions from you in relation to the importance of the Execution Factors (for example, if you request that costs of execution should be a more significant factor than price), we will Execute or Arrange the order in accordance with such instructions. If you provide us with specific instructions you should be aware that this may prevent us from the taking the steps in this policy to obtain the best possible result when Executing or Arranging your transaction.

How we analyse the quality of execution and verify the best possible results are obtained.

Order execution is monitored pre and post trade on an ongoing basis and is subject to regular sampling, testing and evidencing against best execution criteria to ensure the best possible result is obtained for you. We ensure that we select appropriate benchmarks and thresholds that determine the quality of execution that should be achieved and employ the use of third party tools such as market data vendors in order to verify the level of execution quality. This is overseen by a governance structure which gives senior management sufficient oversight that we are achieving best execution on a consistent basis and where exceptions to this are identified these can be addressed.

Part 3 – Our typical dealing arrangements for different types of investment

The following is a summary of our dealing arrangements. For full details please refer to our Best Execution Policy which is available to you on our website as disclosed in Section A.

1. Equities

For standard UK market orders, and in normal market conditions, we may poll different execution venues, using automatic execution technology to identify the best terms available to us at the point of trading for the equity concerned.

(a) – UK Equities

UK Equities are largely Executed via a Retail Service Provider (RSP), request for quote, model. An RSP is a counterparty which is typically a London Stock Exchange (LSE) member firm which provides non-order book price quotes based on the price available on the LSE's order books. The model has a highly automated price polling mechanism across a panel of RSPs to determine the best terms available at the point of Execution. In order to maximise the effectiveness of the price discovery process where applicable we also utilise the proprietary trading technology of Barclays Investment Bank for cross trading venue price discovery.

Where orders cannot Execute automatically (typically due to large value or low liquidity) a manual price discovery model is used leveraging market data feeds and approved counterparty relationships which leads to Execution with the counterparty who offer the most competitive terms available (see Schedule 2, Part 4).

As part of this model RSPs (provided that they also comply with their duties as an LSE member firm & registered market maker when executing transactions) are responsible for trade reporting all trades in the stocks we execute with them to the relevant venue. In circumstances where we do not execute a UK equity with an RSP the following applies

- Via a Multilateral Trading Facility (MTF) - The responsibility will be on the MTF to report
- Where we execute directly on exchange – By executing in this way reporting is automated
- Via a Systematic Internaliser (SI) - The responsibility will be on the SI to report

Barclays execution policy does not permit equity transactions to be performed outside of a Trading Venue using any other methods, given that they are required in order to comply with the Equities Trading Obligation, and involve additional risk to customers.

There is typically no execution fee levied by the counterparties due to the fact that Execution is predominantly conducted under LSE member firm status.

(b) – International Equities

International Equities are largely Executed using other entities Direct Electronic Access facilities. This provides us with the ability to select various trading strategies provided by an approved counterparty panel. We utilise the exchange membership and trading strategies offered by the counterparty.

Orders are Executed via different execution venues which can be directly on exchange, via Multilateral Trading Facilities (MTFs) or directly with an approved counterparty. This is done either automatically via routing rules which are available on selected exchanges or routed manually by a dealer.

Various proprietary trading algorithms of counterparties may also be used in determining the appropriate strategy to achieve best execution and an execution fee is levied by the counterparties.

(C) – Limit Orders

In some cases, we believe that immediately publishing your unexecuted limit orders may not be in your best interests and may result in us not achieving the best possible result for you, particularly where this concerns best total consideration, speed and certainty of Execution, market impact and avoidance of partially filling your order. Under these circumstances, we consider we should apply our discretion as to when and how your unexecuted limit orders are made publicly available.

2. Debt Securities (or “bonds”)

The debt market in some locations is not centrally organised, and for many non-government issues, is not a liquid market. Where liquidity is available orders are largely Executed via MTFs or directly with an approved counterparty on a request for quote basis to determine the most competitive overall pricing for the size of order concerned, where liquidity does not exist will be dealt manually in order to identify counterparties that are quoting prices in the security concerned.

3. Collective Investment Schemes

We will usually trade directly with the fund manager or fund administrator.

4. Over-the-counter (“OTC”) products (other than OTC derivatives)

Over-the-counter (“OTC”) products are products that are traded other than on a formal trading venue (for example structured products). Over the counter products are dealt either directly between us and our client, or may be sourced via a counterparty or other third party. The order routing process will depend firstly on the execution factors. Further issues that may affect the order process are the following.

- for bespoke, highly negotiated transactions or for those which may be original trading ideas or for which we have a duty of confidentiality to the originating firm, we will route such orders exclusively to the originating firm since there will be no other available market liquidity within a reasonable timeframe; and
- for some more standardised products, we will usually select and price poll from a shortlist of counterparties identified by us to be among the most competitive in the field concerned.

5. Over-the-counter (“OTC”) derivative products

Over-the-counter (“OTC”) derivative products are derivatives that are not executed through an exchange or other intermediary. The terms and price are privately negotiated between two parties. The price we are able to provide you with is determined on pricing we are able to obtain from Barclays Investment Bank.

In certain circumstances for FX derivative products, depending on the specific product type and contracting parties, we may determine the price of the transactions we enter into with you based on pricing from non-Barclays FX counterparties.

6. Foreign Exchange (or “FX”)

Under normal market conditions and based on the consideration of the execution factors, Barclays Investment Bank is our primary FX counterparty and the pricing we are able to obtain from Barclays Investment Bank forms the basis of the price we are able to provide you with. Transactions entered into based on prices obtained from Barclays Investment Bank are subject to the same Best Execution criteria as trades done with any other counterparty.

We primarily execute transactions with Barclays Investment Bank using electronic trading tools but in the event that we cannot Execute electronically we will execute manually.

Part 4 – The Execution Venues and investment firms that we use

1. Regulated Markets

Regulated markets are subject to strict operating rules governed by the relevant regulatory body in each jurisdiction in which they operate. Execution via a regulated market occurs in line with the rules of each exchange which are designed to protect market participants.

We use many regulated markets to Execute client orders. However, we place significant reliance on the following regulated markets when we Execute deals on your behalf:

- London Stock Exchange – all markets (generally via our RSP model)
- New York Stock Exchange
- NASDAQ
- Euronext

We use many investment firms when we Arrange transactions. Details of investment firms we place significant reliance on when we Arrange transactions are set out in our full Best Execution Policy.

Multilateral Trading Facilities (MTFs)

MTFs are privately operated order matching systems which act in a similar way to an order driven market. Similar to regulated markets, these execution venues are subject to regulatory standards determined and governed, in jurisdictions subject to the legislative powers of the EU, by the requirements of the EU Markets in Financial Instruments Directive (MiFID).

We place reliance on the following MTFs when we Execute deals on your behalf:

- Market Axess
- Tradeweb
- Bloomberg
- FX All.

Organised Trading Facilities (OTFs)

MiFID II has introduced a new type of Trading Venue called an Organised Trading Facility (OTF) which is a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract. We will only Execute on an OTF if it is in your best interests to do so.

2. Trading bilaterally with other Regulated Firms

We may, Where regulations permit, make use of the following forms of off- exchange trading when relevant to the service provided to our client:

- (a) Systematic Internalisers, being firms who routinely offer prices on listed investments outside of a regulated market or MTF;
- (b) Other authorised firms which trade in debt securities, and over the counter derivatives.

Off-exchange trading may be conducted with other firms), counterparties or with Barclays Investment Bank.

When transacting outside of a Regulated Market, MTF or OTF we will always consider the best interests of our clients when selecting the counterparty. Executing with a counterparty may create exposure to counterparty risk and, as such, our credit risk assessment of counterparties may have an impact on our selection of counterparty and strategy adopted for each trade.

3. Counterparties

We seek to ensure we have deep relationships with high quality counterparties with an aim of maximising execution quality in terms of price net of any related dealing costs. For example, for equities and debt securities we operate a counterparty panel which has been developed to provide sufficient competition across the assets dealt by our clients. In certain circumstances it may be necessary to transact with counterparties who do not feature on our counterparty panel. We will only do so when we reasonably believe it is necessary to transact in this way in order to achieve best execution.

Our approved counterparty panel is available in Part 6.

We will always make every effort to select execution venues to achieve best execution. This includes use of automated price polling mechanisms, utilisation of connected divisions such as Barclays Investment Bank and manual selection based on factors outlined in Part 2 (above) together with experience and expertise of our dealing teams.

Prior to being accepted onto our panel, all counterparties or venues used for Execution of orders must meet a set of minimum criteria. Counterparties and trading venues are reviewed on a regular basis throughout the year and will be subject to ongoing performance assessment based on quality of Execution and overall efficiency.

Part 5 – Additional Information

Top 5 Execution Venue Reporting

With effect from 3 January 2018 we will be required to publish, the top 5 execution venues it has used to Execute orders as well as the top 5 counterparties to which orders were placed or transmitted in terms of trading volumes, in the preceding year, together with information on the quality of Execution obtained. This report will be per class of financial instrument and will report separately for Retail and Professional clients.

Publication of the report is an annual event for the previous calendar year and will be in April each year. First publication is due in April 2018 for 2017 trading.

The report will be located from April 2018 via these links:

privatebank.barclays.com/terms, overseas.barclays.com/terms or international.barclays.com/terms

From April 2018 all of our execution venues will be required to publish their own execution quality metrics. This information will be used as part of our counterparty and venue assessment process. The information will be publically available and from April 2018 the links will be provided below alongside the venue names.

Part 6 – Counterparties

Our current approved counterparty panel is set out below; there may be changes to the panel from time to time.

UK Equities

Arden Partners PLC	J&E Davy	Peel Hunt LLP
Barclays Investment Bank	Jefferies	Shore Capital
BMO Capital Markets	JP Morgan	Singer Capital Markets
Canaccord Genuity	KCG Europe	Stifel Nicolaus Europe Limited
Cantor Fitzgerald Europe	Liberum Capital Ltd	Susquehanna International Group LLP
Cenkos Securities PLC	Numis Securities Ltd	WH Ireland
Investec	Panmure Gordon(UK) Ltd	Winterflood Securities

International Equities

Barclays Investment Bank
Credit Suisse
Instinet
Morgan Stanley

Additionally we may use the following counterparties to Execute orders in International Equities

Alliance Bernstein	Deutsche Bank	Natixis
Bank of America Merrill Lynch	Dexion	Nomura Securities
BCS Prime Brokerage	Goldman Sachs	Raymond James Financial
BNP Paribas	Helvea	Royal Bank of Canada
Cantor Fitzgerald Europe	HSBC	Royal Bank of Scotland
Citigroup	ING	Societe Generale
Commerzbank	Jane Street	UBS
CT Smith	Jefferies	
DBS	JP Morgan	

Debt Securities

Banco Santander	Deutsche Bank	Morgan Stanley
Bank of America Merrill Lynch	Deutsche Zentral-Genossenschaftsbank	Nomura Securities
Barclays Investment Bank	Goldman Sachs	Royal Bank of Canada
BNP Paribas	HSBC	Royal Bank of Scotland
Citigroup	ING	Societe Generale
Credit Agricole	Jefferies	UBS
Credit Suisse	JP Morgan	

Additionally we may use the following counterparties to Execute orders in Debt Securities.

ANZ Bank	Mizuho Securities
Banco ITAU	Toronto Dominion
Bridport	VTB
Lloyds	Wells Fargo
Market Axess	ZKB (Zurcher Kantonalbank)

Foreign Exchange

Our primary counterparty for Foreign Exchange is Barclays Investment Bank.

Over the Counter Derivatives

Barclays Investment Bank

Additionally we may use the following counterparties to Execute orders for FX Derivative Products depending on the specific product type and contracting parties.

Citigroup
UBS

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