

Quality of execution report

JM Finn is required to publish a summary of the analysis and conclusions that it has drawn from its monitoring of the quality of execution obtained in the previous year. This report relates to the period 1st January to 31st December 2018. We will publish these reports on an annual basis.

This report is intended to provide our clients with a clearer understanding of how we monitor the quality of execution we have obtained and to provide comfort that we will react to the outcomes of that monitoring should we find any significant failings.

Execution factors and their importance:

Whilst we normally attach the highest relative importance to total consideration when executing orders (the price we are able to achieve and the costs related to the order), when assessing the quality of execution achieved we will specifically consider the following in relation to execution factors:

- Price: We will usually assume that the best price available is the most important outcome
- Costs: We will always look to use the execution venue that offers a combination of the lowest cost and best price
- Speed: Whilst we place importance on achieving the best price there may be occasions where speed is of greater importance to a client
- Likelihood of execution and settlement: We need to have an understanding of the counterparties available to us ensuring, as best we can, their ability to carry out orders to our satisfaction and that they will have the ability to settle the orders. We consider the financial stability of execution venues and maintain a log of the risk we feel each venue poses to the settlement of any order. This log allows us to restrict the size of any order or orders which we give to any execution venue to help us minimise any risk of non-settlement.
- Size: The size of an order may dictate how it is carried out. For orders that we consider are both small in size and in liquid stocks (where there are high volumes traded on a daily basis) we will automatically route orders via the Retail Service Provider (RSP) network which allows for automatic execution of orders. Larger and/or illiquid orders are usually executed via our dealing desk so that they can exercise their expertise and knowledge of the market for that stock.
- Nature: The nature of the order will impact the way in which it is dealt although achieving the best price will ultimately be the most important outcome. Whether an order has a limit price on it or not may determine how it is dealt, for example.
- Any other consideration relevant to the execution of an order: We transmit foreign equity orders for execution. This does not remove our obligation to achieve the best total consideration so we will always look to transmit orders where the lowest commission is charged by the venue and the best price is available. Separately, a client may give us a specific instruction in relation to the execution of their order thereby dictating the best possible result for the client which may not be the total consideration.

Client categorisation

Most of JM Finn's clients are categorised as retail clients. However, we afford all clients the highest level of protection regardless of whether they are categorised as retail or professional. Whilst our order execution tables split out results of execution obtained from the top five execution venues obtained for retail clients from professional clients the only time we would handle orders differently

is if a professional client has given us a directed order (where the client has specified the execution venue to use). We do not accept directed orders from retail clients.

Execution venues

A list of the main execution venues and counterparties JM Finn use to execute orders with or transmit orders to can be viewed on our website. The list is reviewed and updated from time to time as a result of general changes in service offered by venues but also as a result of our monitoring. Since September 2018 we have had very few changes to the list of venues. We believe the list provides the best possible coverage for the type of orders we execute.

We have had a small number of removals from our UK equities venues list as a result of either the venue's withdrawal from UK markets or change of ownership of a venue where we already had the new owners on our list.

One fixed income venue has been added which we believe gives us greater access to liquidity than we previously had. We have also had a couple of removals due to changes in the service level agreement offered by venues rather than from the result of any negative findings in our monitoring of their execution.

One venue has been removed from the list of firms we transmit foreign equity orders to. This was as a result of compliance monitoring where we were unable to satisfy ourselves that a venue met with the EU Markets in Financial Instruments Directive II (MiFID II) standards for obtaining best execution.

In addition to monitoring the performance of venues we also review the financial strength of the venues we use on an ongoing basis. As part of this review we may add limits to the size of orders that may be placed with a venue or we may remove a venue from our list altogether in order to try to mitigate any risk of a venue failing to settle orders.

We place a reliance on the venues on our list but may, from time to time, seek to use additional counterparties where they are deemed to offer the opportunity of enhancing the outcome for the client. All new counterparties go through an approval process before dealing and an up to date list of approved venues is maintained and published on our website from time to time. As part of the approval process we consider the venue's regulatory status, their financial strength, their order execution policy and any evidence we can obtain on their execution performance.

Quality of execution assessment summary

JM Finn's quality of execution assessment of the venues and counterparties we use can be found below:

Executed orders

Class of instrument	Quality of execution assessment
Equities – UK shares and depository receipts and Exchange Traded Products	JM Finn uses a variety of venues to execute orders in UK instruments and for certain small orders in liquid assets orders can be sent automatically via the RSP network. We use a third party product to assist in monitoring the effectiveness of our order execution arrangements. Monitoring conducted in 2018 concluded that we are happy that the methods we are using to execute these classes of instrument generally works well throughout the different stages of the order execution process. It is not possible to obtain the best result on

	every single occasion but we are satisfied that the venues we use achieve an acceptable level. The main issues that have been highlighted by our monitoring are those of time latency. This is where there can be fraction of a second delays in the software used to process orders or where prices move within a fraction of a second of the order being placed or being completed. These are factors that we are unable to control and accept as part of the execution process.
Debt instruments (Bonds)	JM Finn uses both Bloomberg multilateral trading facility (MTF) and Fidessa RSP to poll for the best possible price available from the venues that provide us with access to their quotes. It is possible that a better price may be available from a venue that does not provide us with access to their quotes but this is a factor that we are unable to control.
Other Instruments (unit trusts)	Unit trusts tend to only quote prices once a day or less. Therefore the time that an order is received will impact the price available. As timely execution is always a key factor we would not delay the execution of orders in unit trusts unless we had received a specific instruction from the client.

Transmitted orders

Class of instrument	Quality of execution assessment
Equities – Foreign shares and depositary receipts and Foreign Exchange Traded Products	<p>We use a number of venues to whom we transmit orders in foreign instruments. We use a third party product to assist in monitoring the effectiveness of our order execution arrangements. Monitoring conducted in 2018 concluded that we are generally happy with the venues we are transmitting these classes of instrument to.</p> <p>Where our monitoring has highlighted any concerns over whether the best outcome has been achieved our Dealing team have contacted the venue who have always promptly arranged to amend the order or offer compensation. As a result of the venues we use willingness to take this action we have not felt the need to alter our execution arrangements.</p> <p>One factor that is a component of transmitting orders is the commission that venues charge. We review the commissions that the venues we currently use offer and will normally select a venue based on both the commission and the price that is quoted. In instances where a client has given specific instructions the commission and price quoted may not remain our primary execution factors.</p>

JM Finn's front line daily monitoring of order execution includes pre monitoring which allows for the dealers to make the best possible decision available to them when executing or transmitting orders. In particular they will focus on price and cost execution factors at the pre monitoring stage. Post order monitoring is also carried out the day after orders have been completed. Primarily the dealers are checking individual executions to determine whether a better price could have been achieved on an alternative venue; and in the case of an order worked over a period of time, will compare the VWAP achieved on the trade to the interval VWAP in the¹. Where the best price execution factor appears to have not been fulfilled we review the order to determine whether another execution factor took precedence or whether there was a specific failing in executing the order that could have been avoided. Where necessary exceptions will be repaired to ensure that our clients receive the best possible outcome.

¹ Interval VWAP provides the volume weighted average price between the first fill and the last of an.

In addition to daily monitoring there is regular monitoring by the Compliance department to ensure that the order execution policy is being followed, to assess whether the order execution arrangements are still adequate and to confirm that the daily monitoring is being carried out correctly and that findings are being acted upon.

Our monitoring across all orders, both executed and transmitted, for 2018 found that only 0.034% of the orders carried out could have had a better outcome than achieved using the venues that we have access to. In addition, only 0.35% of the orders transacted in 2018 could have achieved a better outcome if we had exposure to venues that we do not have access to. We do not believe these figures are of a significant level for us to consider making changes to our execution arrangements. Furthermore, our analysis of venues' publication of execution quality data, where it is available, has not given us any cause to alter the conclusions drawn from our monitoring.

Our order execution policy is reviewed on an annual basis, no changes were deemed necessary after 2018's review. You can find the current version on our website.

Close links and conflicts with execution venues

When we carry out client orders in UK instruments we use a regulated market, multilateral trading facility or an organised trading facility. There may be circumstances, such as orders in foreign instruments, where we execute or transmit orders outside a trading venue to a systematic internaliser, market maker or other liquidity provider. In all instances we select the venue that we consider the most appropriate in order to obtain the best outcome for the client.

We do not have any close links, conflicts of interest or common ownership with any of the execution venues we use that could affect the quality of execution obtained. Nor do we receive any payments or non-monetary benefits for directing trades to a specific venue. Any benefits given or received are designed to enhance the quality or the service to clients. Charges incurred for transmitting foreign orders to venues are passed on to clients and are shown on contract notes.