

# Order Execution Policy (UK) BMO Capital Markets London & BMO London Branch

April 2022

## Order Execution Policy

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### Introduction

This Order Execution Policy (“Policy”) sets forth information relating to how BMO Capital Markets Limited (“BMO CML”, “we”, “our”) & Bank of Montreal, London Branch (“BMO LB”, “we”, “our”) seeks to provide best execution as required by the UK Markets in Financial Instruments Directive and the Financial Conduct Authority’s (FCA) Conduct of Business Sourcebook (COBS) when executing orders in relation to Financial Instruments on behalf of Professional Clients (“Clients”) in relation to:

1. Equities (including cash equities) and equity like products;
2. FX derivatives
3. Interest rate derivatives
4. Equity derivatives
5. Bonds and money market Financial Instruments
6. Structured products
7. Commodity derivatives

**Clients classified as Eligible Counterparties are not contractually owed best execution. Our approach to best execution assumes that you will provide prior express consent to allow us to execute relevant orders outside of a regulated market, multilateral trading facility or organised trading facility, unless you expressly communicate otherwise in advance in writing.**

**Please note that by conducting business with us following receipt of this document, you will be deemed to have consented to the Policy.**

The term execution venue, as used in this Policy, is intended to refer to counterparties with which we may execute Client orders directly (such as the counterparty to an OTC derivative under an ISDA), as well as exchanges and other trading venues.

BMO CML and BMO LB must take all sufficient steps to obtain the best possible result for Clients when executing orders (or receiving and transmitting orders) on their behalf, taking into account Execution Factors such as price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

### Receipt and Transmission of Orders

BMO CML and BMO LB will owe a duty of best execution in accordance with this Policy when receiving a Client order and transmitting it to a third party for execution. BMO CML and/or BMO LB may choose to arrange for the execution of orders through other affiliated BMO Group entities. BMO CML and BMO LB will monitor the effectiveness of such arrangements.

### Execution of Orders on Behalf of Clients

The application of best execution will be limited to where BMO CML and/or BMO LB executes orders “*on behalf of Clients*”.

In accordance with the content of this Policy and legitimate reliance, where we execute a transaction in a Financial Instrument by dealing as agent, or in an intermediated market access/riskless principal capacity and you have not given us specific instructions in relation to all relevant aspects of the execution of the transaction, we will assume that you will place legitimate reliance on us to protect your interests in relation to those elements of a transaction where we have discretion.

Where we are dealing with you in a principal capacity, for example, including, but not limited to, where we provide quotes to you, accept a discretionary order from you or negotiate a price with you, we will determine whether you are placing legitimate reliance on us in relation to a transaction by considering the factors outlined below.

Whether or not the Client is placing legitimate reliance on BMO CML and/or BMO LB will be assessed by

applying the Four-Fold Test, which entails the consideration of the following factors:

1. which party initiates the transaction;
2. questions of market practice and the existence of a convention to 'shop around';
3. the relative levels of price transparency within a market; and
4. the information provided by BMO CML and/or BMO LB and any agreement reached.

Where the consideration of the above factors leads us to conclude that the Client is not legitimately relying on BMO CML and/or BMO LB, then best execution will not apply. A specific example of this for cash equities could include where you ask the European Facilitation Trading desk for a risk price on a share.

Conversely, a case where the client is legitimately relying on BMO CML and/or BMO LB is when a client has entered into a swap agreement with us and needs to unwind it prematurely, prior to the end of the term of the contract.

### **Specific instructions**

Where you give us a specific instruction, such as specifying an execution venue, to the extent that we accept and follow your instructions we will have satisfied any best execution requirements with respect to that aspect of your order. The remaining elements of the order not covered by your specific instructions will remain subject to best execution requirements. An example could include where you send an equity order benchmarked to the volume weighted average price (VWAP) specifying the London Stock Exchange as the venue - the elements other than venue will remain subject to the best execution requirements.

### **Best Execution in principal business; applicability to Request for Quotes (RFQs)**

When BMO CML and/or BMO LB provides quotes or negotiates a price to trade on a bilateral basis with a Client on request (i.e. dealing on a RFQ basis), the application of best execution will depend on the nature and circumstance of the request and whether the client is placing legitimate reliance on BMO CML and/or BMO LB at the time of the RFQ, according to the Four-Fold Test.

### **Execution away from the order book of a regulated market or multilateral trading facility**

According to your wishes, we may execute all or part of your order outside the order book of a regulated market, multilateral trading facility or organised trading facility.

In particular, we may form prices and execute internal transactions by filling all or part of your order against:

- 1) another client's trading interest where permitted by applicable law and regulation;
- 2) our own inventory or at our risk; and/or
- 3) a trading interest that we have acquired by facilitating another client's trade.

We may create such transactions manually, at the discretion of an individual responsible for execution of your order or automatically. We may create such transactions on an over the counter (OTC) basis or in our capacity as a Systematic Internaliser (SI). We may also execute your order with another investment firm acting as an SI or in an OTC capacity.

### **Off-book, on-exchange executions**

Where permitted, and in certain situations, we may also form prices and negotiate transactions in the manner described above but subsequently submit the transaction to the rules of a trading venue as an "off book, on exchange" transaction. In such cases, the resulting transactions will be considered to take place on that trading venue notwithstanding the fact that we have formed the price. We will usually pursue this course of action to allow our Client's trading interests to match on-exchange in transactions above Large in Scale. We may also use the services of other investment firms who may do the same.

## Applicability to orders

In the absence of any specific instructions from you, we will take into account, if relevant, the following factors (“Execution Factors”) when executing a transaction on your behalf:

1. price;
2. speed of execution;
3. likelihood of execution;
4. size and nature of the order;
5. costs;
6. likelihood of settlement; and
7. other aspects of the order

Certain Execution Factors are more important than others. When we execute a Client order, by default, we will consider the key Execution Factors listed above to be the most important. The relative importance of these Execution Factors will change in response to the instructions provided or circumstances prevalent in the general market or specific execution venues during the execution of the order. For example, with illiquid Financial Instruments “size and likelihood of execution” will likely take priority over price.

In determining the level of importance that we attach to the Execution Factors, we will take into account any specific instructions that you give us and the following criteria:

1. Client
2. The characteristics of the transaction that you have submitted to us, including any specific instructions
3. Relevant Financial Instrument that you have asked us to deal in
4. Execution Venues (the options available to us to execute your order)

For a Client, in general we would expect price to be the most significant factor in the execution of your transactions unless you have instructed us otherwise. However, there may be circumstances where, depending on the nature of the transaction, other Execution Factors should be prioritised over price.

Appendix B describes in more detail how best execution is applied in the context of each product.

## Aggregation and Allocation

From time to time BMO CML and/or BMO LB, may aggregate a client order with an order or orders from other Clients and/or with a transaction on its own account. Aggregation will only be performed if it is unlikely that the aggregation will work to the disadvantage of any of the Clients whose order is aggregated but in certain circumstances the aggregation may work to a client’s disadvantage in relation to a particular order.

## Orders traded on a trading venue

For each financial instrument that we trade on behalf of our Clients we consider what the best venue for executing the order is. Where we do not have direct access to a venue or where we otherwise deem it appropriate, we will execute orders through a third party broker or a BMO affiliate.

Depending on the product, we may access any of the following when executing an order on your behalf:

- Regulated Market (“RM”);
- Multilateral Trading Facility (‘MTF’);
- Organised Trading Facility (“OTF”);
- SI
- other liquidity providers, e.g. market makers acting as principal and electronic liquidity providers;
- inter-dealer brokers; and
- non-EEA BMO Financial Group and other entities performing similar functions.

To the extent BMO CML and/or BMO LB has discretion over the choice of one execution venue over another, the selection of the execution venue will be made based on which venue (or venues) provide for the best overall result for the Client.

BMO CML and/or BMO LB may also transmit your order for execution to another broker or dealer (which may be located outside of the EEA and could include both BMO Group affiliate entities and/or third-party brokers). In these instances, we may both determine the ultimate execution venue ourselves on the basis described above, and can instruct the other broker or dealer accordingly, or we will satisfy ourselves that the other broker or dealer has arrangements in place to enable us to comply with our best execution obligations to you. Where BMO Capital Markets engages either a BMO Group affiliate or a third-party broker for order execution, we will monitor our executions with that broker to ensure that the entity is able to provide an appropriate standard of execution in the relevant market.

For a full list of venues that BMO CML and/or BMO LB has direct and indirect access to please see Appendix A. We select venues in various ways, inter alia:

- on a long-term basis: we choose the venues to which we will maintain access, either directly or indirectly via third party brokers and/or other BMO Group affiliates; and
- on a short-term basis: we choose from those venues that we have indirect/direct access to, which is/are the most appropriate to execute individual orders or any part of them.

Both selections will be primarily driven by the same Execution Factors used for assessment of individual orders, allowing us to achieve best execution for our Clients on a consistent basis.

### **North American cash equities**

With regard to certain North American cash equities, there may be only one execution venue and in executing a trade in such circumstances we will presume that it has provided the best possible result in respect of these types of cash equities.

Subject to proper consideration of the Execution Factors and best execution criteria, where we believe that we can trade to the advantage (or at no disadvantage) to a Client, a BMO Group affiliate may be used as the execution venue.

Where a BMO Group affiliate acts as the execution venue we will consider all sources of reasonably available information, including MTFs, local exchanges, brokers and data vendors, to obtain the best possible result for the order.

### **Monitoring and Review**

We will monitor the effectiveness of our execution arrangements and execution policy in order to identify and where appropriate correct any deficiencies. This obligation has been incorporated into our Trading Floor Supervision monitoring and testing process.

We assess whether the execution venues we access allow us to achieve best execution on a consistent basis or whether we need to make changes to our execution arrangements. We will review this Policy at least annually and upon a material change, including its appendices, and its order execution arrangements.

## Appendix A: Execution Venues

### Equities:

For Clients trading equities and equity like products, BMO CML has access to the following execution venues:

<b>Member of:</b>		
London Stock Exchange		
CBOE UK MTF		
<b>Other access:</b>		
BGC Partners L.P.	ICAP Securities Limited	Square Global Limited
Tradition (UK) Limited	Tullett Prebon (Securities) Limited	Louis Capital Markets UK, LLP
Barclays	Goldman Sachs	Instinet Limited
VIRTU Financial Inc.	Investec Bank	Singer Capital Markets
Peel Hunt LLP		

**BMO CML has access to and may place client orders with the following BMO Group affiliates:**

BMO Nesbitt Burns Incorporated: Securities listed in Canada
BMO Capital Markets Corporation: Securities listed in the Americas
Clearpool Execution Services LLC: Securities listed in the Americas

### Equity and FICC products:

For Clients trading equities, FX, bonds, rates, structured products, money market Financial Instruments, securities borrowing and lending and other derivative products:

**BMO LB may access the following execution venues as a direct participant:**

CME BrokerTec	Bloomberg FIT	TradeWeb Europe Limited
Tradition (UK) Limited	TFS-ICAP Limited	MarketAxess Limited
TFS-ICAP Ltd. – Volbroker	BGC Partners L.P.	I-Swap Euro Limited (MTF)
ICAP Global Derivatives Limited (MTF)	ICAP Energy Limited, ICAP Securities Limited	ICAP EU OTF
iSwap Euro BV MTF	Tullett Prebon Europe Limited	Tullett Prebon (Securities) Limited
PVM Futures	Forte Securities Limited	Kyte Broking Limited OTF
Market Securities (France) SA	State Street Global Markets International Limited	NEX SEF/MTF
Square Global Limited	360 Treasury Systems AG	Tullett Prebon EU MTF
Tullett Prebon EU OTF	WCLK Limited	GFI Brokers Limited
GFI Securities Limited	Aurel BGC SAS	Archr
LXM	RPM Trading	Gottex Brokers
Refinitiv		

**BMO LB has access to and may place client orders with the following BMO Group affiliates:**

BMO Nesbitt Burns Incorporated: Securities listed in Canada
BMO Capital Markets Corporation: Securities listed in the Americas

## Appendix B: Best Execution by product

Where best execution is owed, below is how best execution is applied in the context of each product.

Asset class	Prioritisation of Execution Factors	Best execution applicable?
<b>FX derivatives</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. any other consideration relevant to execution</li> </ol>	Normally Best Execution would not apply.
<b>Interest Rate derivatives</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. likelihood of settlement</li> <li>7. any other consideration relevant to execution</li> </ol>	Normally Best Execution would not apply.
<b>Equities and equity like products</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. speed of execution;</li> <li>3. likelihood of execution;</li> <li>4. size and nature of the order;</li> <li>5. costs;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to execution</li> </ol>	Where BMO Capital Markets London or BMO LB executes orders as agent we will owe Professional Clients best execution.
<b>Equity derivatives</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. speed of execution;</li> <li>3. likelihood of execution;</li> <li>4. size and nature of the order;</li> <li>5. costs;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to the execution</li> </ol>	Where BMO Capital Markets London or BMO LB executes orders as agent we will owe Professional Clients best execution.
<b>Bonds and money market Financial Instruments</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. speed of execution;</li> <li>3. likelihood of execution;</li> <li>4. size and nature of the order;</li> <li>5. costs;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to execution</li> </ol>	Where BMO LB executes orders as agent we will owe Professional Clients best execution.
<b>Structured Products</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to execution</li> </ol>	Normally Best Execution would not apply.
<b>Commodity derivatives</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to execution</li> </ol>	Normally Best Execution would not apply.

## Appendix C: Execution Factors

### Key Execution Factors

**Price:** this refers to the resulting price of the transaction excluding BMO CML and/or BMO LB execution charges. Price will usually be our most important consideration. After price, size of the order, likelihood of execution and speed are usually our most important considerations.

**Speed of execution:** BMO CML and/or BMO LB defines this as the rate at which it is able to progress an order. Where order instructions do not refer to speed (or participation rate), we will progress your order at a rate which we believe represents a balance between creating market impact and executing your order in a timely fashion so as to reduce execution risk.

**Likelihood of execution & size:** we interpret this as the likelihood that we are able to fill your order, in its entirety or a substantial part of it. Size and likelihood of execution are negatively correlated and are related to the concept of liquidity of the instrument. The more liquid an instrument is considered, the easier it will be to execute an order and all other things being equal, size.

Size and likelihood of execution increase in importance in situations where access to liquidity in the relevant instrument is constrained in some way, for example, if the Financial Instrument itself is illiquid or if the order has a limit price which is not marketable.

### Other Execution Factors

**Likelihood of settlement:** we expect transactions that we execute for you to settle in a timely fashion. Generally, in equity markets, likelihood of settlement is not a significant factor when executing on regulated markets and MTFs due to the involvement of a central counterparty ("CCP").

However, if we become aware that a particular execution strategy may compromise likelihood of settlement, we may not pursue that strategy even if it would result in a better price. Likelihood of settlement will also become more significant when executing through OTC channels.

**Costs:** if you have a commercial arrangement with us in which those costs influence our own charges to you, we will agree an appropriate way with you to incorporate costs into our execution strategy. We will not structure or charge commissions in a way as to discriminate unfairly between execution venues.