

Octopus Investments Limited Annual best execution disclosure 2017

April 2018

octopusinvestments

A brighter way

Introduction

On an annual basis Octopus Investment (OI) is required to provide additional disclosures around the top five execution venues utilised for each asset class and information on the quality of execution in line with the requirements of Regulatory Technical Standard 28 of the MiFID II Regulation and as transposed into UK regulatory requirements by the Financial Conduct Authority (FCA).

This Disclosure provides separate analysis per sub-asset class of financial instrument as defined in the Regulation, for client orders transmitted to counterparties for execution. Where analysis is not provided in this Disclosure for any class of financial instrument, OI would not have traded in this class of financial instruments during the year ended 31 December 2017.

Please note, that information for the Reporting Period (year ended 31 December 2017) has been collated based on the regulatory obligations that applied to Octopus Investments during that time. In respect of Octopus Investments and other financial institutions to whom MiFID II applies, those regulatory obligations were different to those that apply to them now and pursuant to which this Disclosure has been prepared. Consequently, there are certain sections in this Disclosure for which information required under MiFID II for the Reporting Period (i) was not available; (ii) was only available partly; or (iii) was available in a different format. As a result, this Disclosure has been prepared on a best effort basis only.

OI does not guarantee the correctness or completeness of the information in this Disclosure and shall not be responsible for or have any liability whatsoever for any loss or damage caused by errors, inaccuracies or omissions in connection with use or reliance on this information.

Summary analysis

When assessing the relative importance OI gave to the execution factors of price, cost, speed, likelihood of execution, OI took into account the following criteria for determining the relative importance of the execution factors:

- Size and nature of the order, meaning transaction size and nature of the order affecting the execution price
- Likelihood of settlement, meaning likelihood of the completion of the transaction
- Client characteristics and regulatory classification of the client
- Characteristics of the transaction
- Characteristics of the respective financial instruments subject to that order
- Characteristics of the execution venues where orders might be directed

There were no close links or conflicts of interest with any counterparty that Octopus Investments used during the year in respect of any class of financial instrument in scope of this Disclosure when placing orders with a counterparty to execute orders.

Some execution venues may offer differing fee plans depending on the volume and nature of a trading activity on the venue as well as fee discounts depending on average volume of trading undertaken. Our decision to route orders to a particular venue for execution is determined by whether execution on such venues allows us to satisfy our best execution obligations and is not influenced by any such fee structures or volume discounts.

Octopus may receive minor non-monetary benefits from its counterparties and these are only accepted after due and careful consideration has been made by OI in line with our regulatory obligations, including confirmation that such minor non-monetary benefits are deemed capable of enhancing the quality of services provided by OI to its clients and do not impair compliance with our duty to act in the best interests of our clients.

Octopus maintains internal procedures for the selection of Brokers and other execution venues, both at the stage of onboarding and throughout the relationship, in order to satisfy ourselves that those sections enable us to obtain best execution on a consistent basis. These procedures include undertaking due diligence and regular assessments of execution quality. In response to the changes in market structures during 2017 Octopus evaluated new execution venues and added new brokers to our list of execution venues.

1. Annual top-five counterparty reporting for activity of placing and transmitting of client orders in Equities

Class of Instrument	Equities - Shares & Depositary Receipts (Retail Clients)				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of Volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Winterflood Securities Ltd	24.36%	78.55%	-	-	0%
Investec	16.27%	5.25%	-	-	0%
Numis Securities Ltd	15.12%	4.66%	-	-	0%
Peel Hunt LLP	9.71%	2.32%	-	-	0%
Cenkos Securities Limited	5.91%	2.03%	-	-	0%

Class of Instrument	Equities - Shares & Depositary Receipts (Professional Clients)				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of Volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Cenkos Securities Limited	13.68%	12.21%	-	-	0%
Winterflood Securities Ltd	13.45%	25.95%	-	-	0%
Investec	11.11%	12.60%	-	-	0%
Numis Securities Limited	9.49%	9.92%	-	-	0%
FinnCap	8.89%	6.49%	-	-	0%

In addition to the factors mentioned in the Summary above we have prioritised one or more other execution factors if there was insufficient immediate liquidity on the relevant execution venues to execute the relevant order in full. In such cases Octopus acted within a degree of discretion to deliver the best possible result to the client.

2. Annual top-five counterparty reporting for activity of placing and transmitting of client orders in Exchange Traded Products

Class of Instrument	Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities) (Retail Clients)				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of Volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Winterflood Securities Ltd	100.00%	100%	-	-	0%
N/A	-	-	-	-	-
N/A	-	-	-	-	-
N/A	-	-	-	-	-
N/A	-	-	-	-	-

Class of Instrument	Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities) (Professional Clients)				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of Volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Credit Suisse	45.38%	36.76%	-	-	0%
State Street	37.11%	27.06%	-	-	0%
Morgan Stanley	17.27%	35.50%	-	-	0%
Northern Trust Securities LLP	0.23%	0.42%	-	-	0%
Panmure Gordon & Co	0.00%	0.11%	-	-	0%

3. Annual top-five counterparty reporting for activity of placing and transmitting of client orders in Other Financial Instruments

Class of Instrument	Other (Retail Clients)				
Notification if <1 average trade per business day in the previous year	Yes				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of Volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Octopus Investments	100.00%	100%	-	-	0%
N/A	-	-	-	-	-
N/A	-	-	-	-	-
N/A	-	-	-	-	-
N/A	-	-	-	-	-

Class of Instrument	Equities - Shares & Depositary Receipts (Retail Clients)				
Notification if <1 average trade per business day in the previous year	No				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of Volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Credit Suisse	18.59%	15.73%	-	-	0%
State Street	15.21%	11.60%	-	-	0%
Black Rock	7.65%	6.57%	-	-	0%
Morgan Stanley	7.08%	15.21%	-	-	0%
L&G	5.19%	4.49%	-	-	0%

This asset class relates to transactions on shares or units of Collective Investment Schemes (CIS). Octopus Investments will execute the order directly with the operator of the CIS. Deals will be submitted prior to the scheme operator's dealing cut off time and the order will be executed at the prevailing CIS Net Asset Value.

While choice of price, execution venue or counterparty, controlling the speed of execution and the ability to negotiate costs are not usually possible for a financial instrument with only one issuer, price and cost are generally key considerations in our trading of collective investment undertakings as well as timely order execution.