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## 1. Context

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### 1.1. Objectives

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The objective of this document is to specify how Amiral Gestion implements the rules for best selection of financial intermediaries and best execution of orders. These rules enable Amiral Gestion to meet its commitment to act in the best interests of its clients and investors in its mutual funds when providing investment and fund management services for third parties (hereafter “Clients”).

The European directive concerning the market for financial instruments (directive 2014/54/UE of 15 May 2014, hereafter “Directive MIF 2”) which came into force on 3 January 2018, raised the common standards for protection of investors and best practice rules for financial intermediaries.

Amiral Gestion complies with this obligation by implementing the present procedure which aims to (i) ensure best selection of financial intermediaries and/or (ii) obtain the best possible result when executing orders, given the various criteria mentioned below.

### 1.2. Scope of application

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This document is for clients and potential investors, whether they be professional or retail investors, as defined by the MIF directive, and whether they have an individual portfolio managed under mandate or they are investors in a UCITS or Alternative Investment Fund (AIF) managed by Amiral Gestion.

This document applies to all financial instruments covered by the MIF2 directive and traded by Amiral Gestion.



### 1.3. Main regulatory texts

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- Directive 2014/65/EU (MIF2) of 2 July 2014
- Articles L533-18, L533-19, L533-20 of the Financial and Monetary Code
- Articles 321-110, 321-111, 321-112, 321-113, 321-114 of the AMF's General Regulation
- AMF position-recommendation No.2014-07 (Best Execution Guide).

## 2. Policy for best selection of intermediaries

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### 2.1. Best selection obligation

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Apart from OTC transactions, Amiral Gestion does not execute orders arising from its investment decisions directly. The obligation arising from this situation is one of "best selection" of financial intermediaries, whose known execution policy obtains the best possible result when orders are executed.

### 2.2. Criteria for selection of financial intermediaries

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Because Amiral Gestion has high exposure to small- and mid-cap stocks as part of its collective investment activity, the main criterion for selection is liquidity, i.e. the ability of intermediaries to supply blocks.

Next comes the following criteria:

- quality of the commercial contact, via generation of ideas,
- sector and geographic specializations,
- quality of order execution,
- conviction that best execution is contractual,
- regularity and quality of the commercial relationship and market information.

For management under mandate, the main criterion for selection is total cost. The intermediary selected should take all reasonable steps to obtain the best possible result when executing orders, while taking into account factors such as:

- Price,
- Cost of the transaction,
- Speed of transmission of the order,
- Probability of execution and settlement,

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- Size,
- Type of order.

Where necessary, criteria concerning “any other consideration relative to execution of the order” may be invoked, as for example the choice of execution venue, the market impact of the order, period of validity of the order, or the operational risk of book-out the order if several venues are selected.

These execution criteria should be defined in advance and laid out in the policy for execution of orders by intermediaries, as well as the execution venues considered and selected.

### 2.3. Execution venues

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The financial intermediary must supply a list of the various execution venues selected, as Amiral Gestion will consent to the execution of orders outside regulated markets and MTFs, in order to have access to total available offering, and to always be in a position to obtain the best possible result for its clients.

Execution venues may notably be: regulated markets, multi-lateral negotiation systems, systematic internalisers, brokers or counterparties trading for their proprietary accounts.

### 2.4. Selection and assessment of financial intermediaries

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Any new relationship between Amiral Gestion and a financial intermediary must be the object of a written request from the fund manager, who will already have assessed the qualities of the services offered. This request must be approved by the office of the director.

All new financial intermediaries must supply Amiral Gestion with full details of identity, functioning and services provided, in order to allow an assessment of competence and ability to satisfy the needs of the company.

A formal agreement will be signed by the financial intermediary and Amiral Gestion, detailing the nature and the terms of the service provided, as well as the fees charged by the financial intermediary.

No business can be transacted with the new partner until his application has been approved by the office of the director.

Each new agreement to enter into a business relationship with a financial intermediary will entail an update of the list of financial intermediaries, which will be approved by the office of the director and distributed among fund managers and the middle office.

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The assessment of financial intermediaries selected and approved by Amiral Gestion is part of the « best selection » policy. It continues through the business relationship and is assessed in the light of various criteria, which give rise to a rating at least twice yearly.

The heads of the sales desk and the middle office express their opinions via a rating based notably on the following criteria:

- Access to execution platforms,
- Application of instructions,
- Quality of execution
- Capacity to handle small- and mid-cap blocks,
- The existence of a trader with direct access to the Market,
- Capacity to stock executions for several days.

The average rating allows us to rank financial intermediaries, and present our ranking in table form.

### 2.5. Transmission and grouping of orders

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Amiral Gestion uses a system of electronic communication and recorded telephone conversations to transmit the orders associated with the criteria mentioned above to financial intermediaries.

Amiral Gestion may group clients' orders. In that case, the company ensures that the grouping of orders and transactions are done in conformity with the procedure for allocation of orders, to ensure fair and equitable treatment.

### 2.6. Periodic review of the policy for best selection

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The present selection policy will be reviewed annually, or whenever there is a significant change affecting Amiral Gestion's capacity to obtain the best possible result for clients and investors in the mutual funds it manages.

Therefore, the list of selected financial intermediaries may be updated regularly, and the relative weightings of the criteria may be adjusted in response to trends in financial markets.

### 2.7. Access to the policy for best selection

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This policy may be modified without notice at any time. It is available on the Amiral Gestion website via the following link: « [http://www.amiralgestion.com/wp-content/uploads/2015/07/2016-07-05\\_Politique-de-selection-des-interm%C3%A9diaires.pdf](http://www.amiralgestion.com/wp-content/uploads/2015/07/2016-07-05_Politique-de-selection-des-interm%C3%A9diaires.pdf) » and this is equivalent to notification of clients. For mutual funds, the information is included in the management report.

## **POLICY FOR BEST SELECTION OF FINANCIAL INTERMEDIARIES AND BEST EXECUTION OF ORDERS**



For any information regarding measures to prevent conflicts of interest concerning our financial intermediaries, please see our policy for prevention and management of conflicts of interest on the company website.

Lastly, please note that no « soft commissions » agreement exists between Amiral Gestion and its financial intermediaries. Moreover, Amiral Gestion has signed no agreements that would limit its access to other intermediaries, or concerning obligations or incentives regarding the volume of business.



## **3. Policy for best execution of orders**

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### **3.1. Obligation to obtain best execution of orders**

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The policy of best execution applies to all financial instruments covered by article L.211-1 of the Financial and Monetary Code, and traded by the intermediaries selected by Amiral Gestion. In accordance with the requirements of article L.533-18 I of the Financial and Monetary Code, when Amiral Gestion executes orders, it will take all necessary steps to ensure the best possible result for its clients and investors in its mutual funds.

### **3.2. Entry into a business relationship with financial counterparties**

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All new relationships between Amiral Gestion and a financial counterparty shall be the object of a request from the fund manager(s) concerned. This request must be approved by the office of the director.

Each new counterparty must supply Amiral Gestion with full details of identity, functioning, and services provided, in order to allow an assessment of its competence and ability to satisfy the needs of the company.

No transaction can take place with the new counterparty until the office of the director has given its consent.

Each new agreement to enter into a business relationship with a financial counterparty will entail an update of the list of authorised financial counterparties. This list will be approved by the office of the director and sent to fund managers and the middle office.

### **3.3. Criteria for selection of financial counterparties**

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When selecting financial counterparties authorised to execute orders, Amiral Gestion notably considers the following criteria:

- Most importantly, price of execution,
- availability/liquidity,
- quality of execution,
- quality of administrative service (confirmation, settlement-delivery).

The relative importance of these criteria (as well as possible additional criteria) depends on the type of financial instrument involved (see Chapter 4: Matrix of selection/execution by type of financial instrument).

## **POLICY FOR BEST SELECTION OF FINANCIAL INTERMEDIARIES AND BEST EXECUTION OF ORDERS**



Assessment of the financial counterparties authorised and listed by Amiral Gestion is a component of « best execution ». It is ongoing through the business relationship and is mainly based on the criteria listed above. This assessment gives rise to a rating at least twice yearly, and determines decisions to modify the list of financial counterparties authorised to work with Amiral Gestion.

### **3.4. Transmission and grouping of orders**

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Amiral Gestion uses a system of electronic communications and recorded telephone conversations to transmit the orders associated with the criteria mentioned above to financial counterparties.

Amiral Gestion may group clients' orders. In that case, the company ensures that the grouping of orders and transactions are done in conformity with the procedure for allocation of orders, to ensure fair and equitable treatment.

### **3.5. Periodic review of the policy for best execution**

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The present policy for execution will be reviewed annually, or whenever there is a significant change affecting Amiral Gestion's capacity to obtain the best possible result for its clients or for investors in the mutual funds it manages.

Reports of reviews will state the factors considered during the review, changes made to this policy, reasons for the changes (or for continuing the existing policy), the execution venues considered and, where relevant, the arguments that led to the decision concerning a new execution venue (multi-lateral system of trading, systematic internaliser etc).

### **3.6. Access to best execution policy**

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This policy may be modified without notice at any time. It is available on the Amiral Gestion website via the following link: « <http://www.amiralgestion.com/politique-selection-execution.aspx> » and this is equivalent to notification of clients. For mutual funds, the information is included in the management report.

For any information regarding measures to prevent conflicts of interest involving our financial intermediaries, please see our policy for prevention and management of conflicts of interest on the company website.

Lastly, please note that no « soft commissions » agreements exist between Amiral Gestion and its financial intermediaries. Moreover, Amiral Gestion has signed no agreements that would limit its access to other counterparties, or concerning obligations or incentives regarding the volume of business.



## 4. Matrix of selection/execution by type of financial instrument

Financial instrument	Execution venue (if executed by Amiral Gestion)	Methodology to obtain best selection/execution	Criteria for best selection/execution
<b>Equities and derivatives</b>			
Equities	-	Intermediaries are selected on the basis of their ability to display prices regularly, their response to requests and the quality of execution.	Costs / liquidity / quality of execution / quality of back-office service
Futures	-	Intermediaries are selected on the basis of their ability to offer the necessary liquidity, their response to requests and the quality of execution.	Costs / liquidity / quality of execution / quality of back-office service
Options	-	A request for quotation is made to intermediaries to obtain the best price	Costs / liquidity / quality of execution / quality of back office service
<b>Bonds and derived products</b>			
Government Bonds (Supranational, Sovereign agency, Covered Bond, Treasury Bond etc.)	OTC/MTF/IS	A request for quotation (RFQ) is made to counterparties to obtain best price. For liquid financial instruments, price is the main criterion for selection.	Price / quality of execution / quality of back office / availability
Corporate bonds (high yield, investment grade, or unrated)	OTC/MTF/IS	A request for quotation (RFQ) is made to counterparties to obtain best price. For liquid financial instruments, price is the main criterion for selection. For less liquid financial instruments, ability to find liquidity is considered too.	Price / liquidity / quality of execution / quality of back office / availability
Convertible bonds	OTC/IS	A request for quotation (RFQ) is made to counterparties to obtain best price. For liquid financial instruments, price is the main criterion for selection. For less liquid financial instruments, ability to find liquidity is considered too.	Price / liquidity / quality of execution / quality of back office / availability

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Money mkt instruments (T-bills, Euro Commercial paper, Negotiable trade notes)	OTC/IS	A request for quotation (RFQ) is made to pre-selected counterparties in order to obtain the best price.	Price / quality of execution / quality of back office / availability
Dérivés sur devises			
Forex futures	OTC	A request for quotation (RFQ) is made to counterparties to obtain best price	Price / quality of execution / quality of back-office service / availability

## 5. Main regulatory references

### **Article 321-111 (Execution policy)**

The asset management company is required to provide investors in the UCITS – in good time, prior to the provision of services – the following information about its execution policy:

1. The relative importance that the asset management company attributes to the factors referred to in I of Article L. 533-22-2 of the Monetary and Financial Code, based on the criteria referred to in Article 321-110 or the process by which the relative importance of these criteria is determined;
2. A list of the execution venues in which the asset management company has the most confidence to honour its obligation to take all reasonable measures to consistently obtain the best execution of the orders passed on behalf of UCITS.

### **Article 321-112 (Execution policy)**

The asset management company will supervise the effectiveness of its arrangements for order execution and the policy for this question, in order to detect any shortcomings and to remedy them as appropriate.

In particular, the asset management company will periodically verify whether the execution systems stipulated in their order execution policies obtain the best possible result for the UCITS, or whether they need to modify their execution arrangements.

### **Article 321-113 (Execution policy)**

The asset management company will conduct an annual review of its order execution arrangements and policies.

Such a review must also be conducted whenever a material change occurs affecting the asset management company's ability to consistently obtain best execution for the orders passed on behalf of UCITS, using the execution venues stipulated under its order execution policy.



**Article 321-114**

I - Asset management companies must comply with the obligation (referred to in Article 321-100) to act in the best interest of the UCITS they manage when they transmit to other entities orders that result from their decisions to trade financial instruments on behalf of these UCITS.

II. - To comply with I, asset management companies will take the steps listed in III, IV and V.

III. - Asset management companies will take all reasonable steps to obtain the best possible results for the UCITS that they manage, taking into account the measures referred to in Article L. 533-22-2-2 of the Monetary and Financial Code. The relative importance of these factors shall be determined with reference to the criteria defined in Article 321-110.

IV. - Asset management companies will establish and implement policies that enable them to comply with the obligation referred to in III. These policies will select the entities to which orders for each class of instruments are transmitted for execution. The selected entities must have order execution mechanisms that enable the asset management companies to comply with their obligations under the terms of the present article when they transmit orders to that entity for execution. Asset management companies shall provide investors in UCITS that they manage with appropriate information about their policies developed for the purposes of this paragraph. This information will be included in the management report.

V. - Asset management companies will monitor the effectiveness of the policies established for the purposes of IV on a regular basis, especially with regard to the quality of the execution provided by the entities selected under their policies.

Where necessary, they will remedy any shortcomings noted.

In addition, asset management companies are required to conduct an annual policy review. Such a review must also be conducted each time a material change occurs that affects the asset management company's ability to continue to obtain the best possible execution for the UCITS it manages.

VI. - This article will not apply when the asset management company executes orders resulting from its investment decisions itself. In this case, the provisions of Article L. 533-22-2-2 of the Monetary and Financial Code and Sub-section 2 of this Section will apply.

**Extract from AMF position-recommendation n°2014-07**

In accordance with Article L. 533-18-V of the Monetary and Financial Code, in addition to the obligations placed on ISPs in charge of order execution, specific obligations apply to ISPs that transmit the orders they receive to a third party for execution (rather than executing themselves). Specific

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obligations also apply to ISPs that manage portfolios or UCITS, and whose investment decisions give rise to orders that they send to a third party for execution.

These ISPs are subject to the specific obligations set out in Article 321-114 of the AMF General Regulation concerning their obligation to act in the best interests of clients when they send orders resulting from their own investment decisions to a third party, or when they receive orders for transmission to a third party.

As indicated in the first part of this guide, these obligations are not intended to result in execution efforts being duplicated in cases where a service provider who supplies the services of reception and transmission of orders (RTO) or portfolio or UCITS management transmits orders for execution to another ISP. Rather the aim is to organise a chain of cascading responsibilities.

When it transmits an order to another body for execution, the ISP will meet the requirements of I or II and is not required to take the steps mentioned in the previous paragraph if it follows specific instructions supplied by the client.

V. - The ISP will define and implement a policy that enables it to satisfy the requirement mentioned in IV. This policy will select, for each type of instruments, the entities to which the orders will be transmitted for execution. The entities thus selected must have an order execution mechanism that allows the ISP to comply with the requirements of the present article when it transmits orders for execution. The ISP will supply to its clients and investors (decree of 11 December 2013) « in the funds mentioned in article 311-1 A » that it manages the relevant information on the policy it implements in application of the present paragraph. For (decree of 11 December 2013), “the funds mentioned in article 311-1 A,” this information will be included in the management report.

VI. - The ISP will regularly control the effectiveness of the policy implemented in accordance with V, and especially the quality of execution of the entities selected as part of this policy.

Where necessary, any shortcomings will be remedied.

Moreover, the ISP must carry out an annual review of its policy. This review must also be carried out whenever a material change occurs affecting the ISP’s ability to continue to obtain best execution for its clients or (decree of 11 December 2013) « the funds mentioned in article 321-1 » that it manages.

VII. - The present article does not apply when the ISP who manages the fund or who receives and transmits the orders, or who manages (decree of 11 December 2013) « the funds mentioned in article 321-1 », also executes the orders received or resulting from its investment decisions. In this case, the requirements of article L. 533-18 of the Monetary and Financial code and of sub-section 2 of the present section are applicable.

### **Extract from AMF position-recommendation n°2014-07 :**

In accordance with Article L. 533-18-V of the Monetary and Financial Code, in addition to the obligations placed on ISPs in charge of order execution, specific obligations apply to ISPs that send orders they receive to a third party for execution (rather than executing them in-house). Specific obligations also apply to ISPs that manage portfolios or UCITS and whose decisions to trade give rise to orders that they send to a third party for execution.

These ISPs are subject to the specific obligations set out in Article 321-114 of the AMF General Regulation under their obligation to act in the best interests of clients when they send orders resulting

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either from decisions to trade, or as part of a reception and transmission service to a third party for execution.

As indicated in the first part of this guide, these obligations are not intended to result in execution efforts being duplicated in cases where an ISP supplying the services of reception and transmission of orders (RTO) or portfolio or UCITS manager transmits orders for execution to another ISP. Rather the aim is to organise a chain of cascading responsibilities.

**Position :**

**As indicated in question 22 of the FAQs, an ISP that transmits orders must ensure that the selected entity has a best execution obligation with respect to the ISP:**

- **either because the entity itself is subject to best execution obligations and has agreed to treat the ISP as a professional or retail client;**
- **or because the entity selected has undertaken contractually to comply with some or all best execution obligations.**

This position applies to all ISPs, regardless of the client category (professional and/or retail).

Accordingly, when it transmits to a third party orders received from its clients for execution or resulting from its investment decisions, the ISP must take all reasonable measures to obtain the best possible result, taking account of the factors listed in L. 533-18 of the Monetary and Financial Code (see 2.2 of this guide) and the criteria listed in Article 321-110 of the AMF General Regulation (characteristics of the client, the order, the financial instruments, the traders to whom the order may be directed).

To satisfy the above obligation, the firm must implement a policy that selects, for each category of instrument, the ISP or ISPs to which orders are transmitted. These ISPs must have an execution policy that enables the firm that implements a selection policy to meet its own obligations. The firm must monitor the effectiveness of this policy regularly, in particular checking the quality of execution of selected traders, and where necessary correct shortcomings. Moreover, it must review its policy annually and whenever there is a material change that affects its ability to continue to obtain the best possible result for the client.