



# L&G – Asset Management Execution Policy

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# L&G – Asset Management Execution Policy for professional clients

This document sets out the Execution Policy for L&G – Asset Management, as required by the Markets in Financial Instruments Directive ('MIFID') 2014/65/EU and the Financial Conduct Authority's ('FCA') Conduct of Business Sourcebook ('COBS').

The following entities are in scope for this policy.

- Legal & General Investment Management Limited
- Legal & General Investment Management Asia Limited
- Legal & General Investment Management America Inc

Collectively herein as "L&G". This document applies only to clients classified by L&G as professional clients. Whilst this Policy has been drafted to meet the requirements of EU/UK MiFID II, L&G is a global organisation, and the Policy reflects the approach taken across all the jurisdictions in which it operates. L&G will ensure that it complies with all applicable laws and regulations in relevant jurisdictions and, to the extent that relevant local requirements are not specifically outlined in this Policy, they will be documented separately and shall, when inconsistent with this Policy, supersede this Policy.

Appendix I outlines the key regulations for relevant L&G jurisdictions in the APAC and US region respectively; although this is not an exhaustive list and is subject to ongoing review.



## 1. Introduction

L&G takes all sufficient steps to obtain on a consistent basis, when executing or placing client orders, the best possible outcome for our clients. Client orders refer to transactions in financial instruments which L&G, in its role as discretionary portfolio manager for client assets, chooses to execute or transmit. It also applies to the extent that L&G undertakes execution only activity on behalf of clients.

### 1.1. Execution and placement

In its role of providing portfolio management services, L&G both executes client orders with execution venues and places client orders for execution with brokers.

‘Execution’ is where, as a member or participant in a regulated market, multi-lateral trading facility (MTF) or organised trading facility (OTF), L&G executes a client order directly on the execution venue. L&G may also execute orders with a systematic internaliser (SI), market maker or another liquidity provider on a request-for-quote basis. Where L&G matches liquidity internally without utilising an MTF or broker, this also constitutes executing a client order.

‘Placement’ is where L&G transmits an order to a broker for it to execute. In these circumstances the broker will choose the venue on which the order is ultimately filled or choose to execute it against its own book.

In both scenarios, L&G owes its clients best execution and takes all sufficient steps to consistently obtain the best possible result when executing or transmitting orders.

To this effect, L&G has established an execution policy and procedures which are designed to obtain the best overall execution outcome, taking into account the execution factors outlined below. Subject to any specific instructions, we will apply our market knowledge and skills in determining the factors that need to be taken into account for the purpose of providing best execution. Our execution policy ensures fair treatment of all clients.

### 1.2. Execution factors

When deciding how and where best to execute an order, we will take into consideration a range of factors including the following:

- **Price:** This refers to the price at which the order was executed
- **Cost:** This refers to explicit costs such as fees, charges and commissions incurred
- **Speed:** This refers to the time it will take to execute an order
- **Likelihood of execution and settlement:** This refers to the probability that we are able to fill and settle the order, or at least a substantial part of it, in its entirety.
- **Size:** This refers to the size of the transaction to be executed and how this affects the price of execution
- **Nature:** This refers to any other factor not previously listed that we deem to be a factor in the execution of a given order.

Generally, price will merit a high relative importance in obtaining the best execution. However, in some circumstances, L&G may appropriately decide that other execution factors are more important than price.



Nevertheless, where there is a specific instruction from the client the order shall be executed following the specific instruction.

When determining the relative importance of the execution factors, the following are typically considered;

- the characteristics of the client portfolio
- the characteristics of the client order
- the characteristics of the financial instrument
- the characteristics of the execution venue(s) the order can be directed to

### **1.3. Counterparty and execution venue selection**

Where there are a number of counterparties or execution venues that could legitimately execute a given order, our Global Trading & Liquidity Management team will use their experience and knowledge to select the most appropriate. Examples of considerations they will take into account include.

- Execution quality (based on historical experience)
- Operational capability
- Observable recent activity in the relevant market
- Ability to commit capital
- Ability to minimise market footprint
- Market insights and knowledge of market structure



## 2. Equities and related securities

- Equities – Shares and Depositary Receipts
- Exchange Trade Products – ETFs, ETNs
- Equity Futures and Options traded on a venue

### 2.1. Execution Process

L&G operates a fully unbundled equity execution process, as such all of our activity can be considered as execution only. Equity orders are transmitted electronically from our order management system (“OMS”) to our execution management system (“EMS”). From our EMS the traders have access to a variety of execution channels. Where an order is deemed appropriate for a low touch channel, the team will select a suitable execution algorithm from our list of approved counterparties, or alternatively they may instruct a portfolio trading desk electronically via FIX protocol. Where an order warrants a high touch or voice channel, the team will similarly seek to instruct the counterparty by FIX protocol where it is possible to do so. In addition to these channels, for Exchange Traded Products and Equity Futures and Options traded on a venue, we may also execute on a Request for Quote basis (“RFQ”). For this process, orders are transmitted electronically from our OMS to a vendor RFQ platform to enable us to electronically gather competitive quotes and execute.

### 2.2. Execution factors and the relative importance assigned to each factor

- **Price:** This will usually be our most important consideration.
- **Cost:** After price, cost is another important consideration. Our commission levels are uniform across our counterparties and are reviewed at least annually, but there are variations in cost depending on the execution channel.
- **Speed:** All orders transmitted to the trading desk have a trading benchmark attached to them. Broadly these can be split into historical benchmarks (such as arrival price) and future benchmarks (such as market on close). The trading benchmark determines how quickly an order is acknowledged and traded.
- **Likelihood of execution and settlement:** This factor increases in importance in situations where access to liquidity in the relevant instrument is constrained in some way. For example, if the security itself is illiquid.
- **Size:** The need to execute in size can be important when we want to either implement or exit a position quickly or where we wish to minimise market impact due to the information leakage associated with partial executions.



### 3. Fixed Income and related securities

- Bonds
- Fixed Income Futures and Options traded on a venue

#### 3.1. Execution process

Bond orders are traded from our order management system (“OMS”). The Global Trading & Liquidity Management team has access to a variety of execution channels, but the predominant protocol remains Request for Quote (RFQ). Our OMS transmits bond orders electronically via FIX protocol to a choice of multi-lateral trading platforms (e.g. Tradeweb, MarketAxess) for execution. Where an order is deemed appropriate for a low touch channel, the team will select a suitable panel of counterparties and enter into a competitive RFQ. In certain circumstances, (e.g. where an order requires a high touch channel), our traders may enter into a non-competitive RFQ either on voice or via alternative electronic communication (e.g. Bloomberg). Once a high touch order is agreed, it is then processed via a trading platform where it is possible to do so. For Fixed Income Futures and Options traded on a trading venue, the process is slightly different. Orders in these instruments are transmitted from our OMS to our EMS. Where an order is deemed appropriate for a low touch channel, our traders will select a suitable execution algorithm from our list of approved counterparties, or alternatively they may instruct a listed derivatives trading desk electronically via FIX protocol. Where an order warrants a high touch or voice channel, the team will similarly seek to instruct the counterparty by FIX protocol where it is possible to do so.

#### 3.2. Execution factors and the relative importance assigned to each factor

- **Price:** This will usually be the most important consideration
- **Cost:** For bonds this is not generally an important factor given that explicit commissions are not charged. For futures and options traded on a venue, commissions are uniform across our counterparties, although there are very slight variations depending on the execution channel (i.e. electronic versus voice).
- **Speed:** All orders transmitted to the trading desk have a trading benchmark attached to them. Broadly these can be split into historical benchmarks (such as arrival price) and future benchmarks (such as TAC). The trading benchmark and urgency level, determines the speed at which the order is traded.
- **Likelihood of execution and settlement:** This factor increases in importance in situations where access to liquidity in the relevant instrument is constrained in some way. For example, if the instrument itself is illiquid.
- **Size:** The need to execute in size can be important when we want to either implement or exit a position quickly or where we wish to minimise market disturbance. Size can therefore be an important factor for fixed income securities.



#### 4. Over The Counter (OTC) derivatives

- Interest Rate Derivatives
- Credit Derivatives
- Currency Derivatives
- Equity Derivatives
- Commodity Derivatives

##### 4.1. Execution process

OTC orders are traded from our order management system (“OMS”). The predominant execution protocol for OTC derivatives is Request for Quote (RFQ). Our OMS transmits OTC orders electronically via FIX protocol or SFTP to a choice of multi-lateral trading platforms (depending on the underlying asset class this could be Tradeweb, OTCX, RFQ-Hub) for execution. Where appropriate price discovery is conducted electronically via a competitive or non-competitive RFQ process. Where no suitable multi-lateral trading platform exists, price discovery may be conducted via RFQ, on voice or using an alternative electronic communication, such as Bloomberg. Once the economics have been agreed, the order will be booked manually into the OMS.

##### 4.2. Execution factors and the relative importance assigned to each factor

- **Price:** This will usually be our primary consideration.
- **Cost:** This is likely the least important factor. Commissions are not charged on OTC derivatives.
- **Speed:** All orders transmitted to the trading desk have a trading benchmark attached to them. Broadly these can be split into historical benchmarks (such as arrival price) and future benchmarks (such as market on close). The trading benchmark and urgency level, determine the speed at which the order is traded.
- **Likelihood of execution and settlement:** This factor increases in importance in situations where access to liquidity in the relevant instrument is constrained in some way. For example, if the instrument itself is illiquid. Generally, this is an important factor in achieving best execution for OTC instruments.
- **Size:** The need to execute in size can be important when we want to either implement or exit a position quickly or where we wish to minimise market disturbance. Size can therefore be an important factor for OTC instruments.
- **Nature or any other consideration relevant to the execution of the order:** Counterparty selection may be limited to those where legal documentation has been put in place or be constrained by exposure level restrictions which may impact the best achievable price of any trade.





## 5. Foreign Exchange

- Currency Outright (Spot & Forward)
- Currency Swaps
- Currency NDFs

### 5.1. Execution process

FX orders are transmitted electronically from our order management system (“OMS”) to our execution management system (“EMS”). From our EMS, the Global Trading & Liquidity Management team has access to a variety of execution channels. For the majority of our activity, the team will either enter into a competitive Request for Quote (RFQ) or select an appropriate execution algorithm. For certain orders, such as illiquid currency pairs or large size orders, where potential market impact is a consideration, or liquidity is thin for example, price discovery may be conducted via RFQ, on voice or using an alternative electronic communication, such as Bloomberg. Once the economics have been agreed, the order will be booked manually into the OMS. In certain circumstances L&G may choose to execute on a non-competitive basis if we believe that restricting the number of quotes will achieve a better result for the client. For level specific orders (limit) or benchmark orders (WMR), the desk will place them with one of the approved counterparties to manage on our behalf.

### 5.2. Execution factors and the relative importance assigned to each factor

- **Price:** This will usually be our most important consideration.
- **Cost:** This is not considered an important factor, as explicit commissions are not generally charged on FX. Where traders use a brokers’ algorithm or fixing mechanism small charges are incurred but they are generally harmonised across providers.
- **Speed:** All orders transmitted to the trading desk have a trading benchmark attached to them. Broadly these can be split into historical benchmarks (such as arrival price) and future benchmarks (such as WMR). The trading benchmark and urgency level, determines the speed at which the order is traded.
- **Likelihood of execution and settlement:** This factor increases in importance in situations where access to liquidity in the relevant instrument is constrained in some way.
- **Size:** In relation to FX, the need to execute in size can be important when we want to either implement or exit a position quickly or where we wish to minimise market disturbance.
- **Nature or any other consideration relevant to the execution of the order:** Counterparty selection may be limited to those where legal documentation has been put in place or be constrained by exposure level restrictions which may impact the best achievable price of any trade.



## 6. Money Market and Security Financing Transactions (SFTS)

- Reverse Repo
- Repo
- Time Deposit
- Certificates of Deposit
- Commercial Paper

### 6.1. Execution process

Money market instruments (TDs, CDs CPs & Reverse Repo) are traded from the order management system (“OMS”). Generally, price discovery is conducted via competitive or non-competitive RFQ, on voice or via an alternative electronic communication, such as Bloomberg. Once the economics have been agreed, the order will be booked manually into the OMS. For Term Repo, the orders are raised in our Portfolio Management System (PMS) and the orders are transmitted to our EMS. Again, from here price discovery is conducted via competitive or non-competitive RFQ, on voice or via an alternative electronic communication, such as Tradeweb or Bloomberg. Once the trade details have been agreed, the order will be transmitted downstream to our investment operations team and the trade will be reflected in the PMS.

### 6.2. Execution factors and the relative importance assigned to each factor

- **Price:** This will usually be our most important consideration.
- **Costs:** Explicit commissions are not charged on these instruments and so it is not an important consideration.
- **Speed:** Where the instructions dictate or imply a rate at which we should progress the order, at market or otherwise, we will follow the instructions unless we see an immediate and substantial conflict with the price. Where the instructions do not refer to timing, we will progress the order at a rate which we believe represents a balance between creating market impact and executing the order in a timely fashion so as to reduce execution risk.
- **Likelihood of execution and settlement:** This factor increases in importance in situations where access to liquidity in the relevant instrument is constrained in some way therefore it is generally an important consideration.
- **Size:** This will often be an important consideration, given the liquidity profile associated with some of these instruments.
- **Nature of any other consideration relevant to the execution of the order:** Counterparty selection may be limited to those where legal documentation has been put in place or be constrained by exposure level restrictions which may impact the best achievable price of any trade. In addition, secondary liquidity can be an important consideration. This refers to the anticipated ability and willingness of a counterparty to buy back / provide liquidity in a transferable money market instrument.



## **7. Collective Investment Schemes**

L&G generally execute transactions in collective investment schemes with the scheme's fund provider or their agent. This can be done by a direct instruction or via an electronic trading platform. Price will be established according to the scheme's particulars or prospectus. Orders will be placed with the relevant fund provider according to the known valuation point of the relevant scheme.

## **8. Trading outside a trading venue**

In respect of financial instruments that can be traded on a trading venue it should be noted that, subject to a client's prior consent, some of the orders may be executed outside of a trading venue where we believe we can achieve the best possible result for execution by doing so. Where we execute outside a trading venue, a client may be subject to additional counterparty risk. This is mitigated by our counterparty risk assessment process.

## **9. Counterparty list**

We have included in the appendix a list of the main counterparties and execution venues approved for trading across all our trading desks. All counterparties must satisfy our credit, contractual and best execution standards to qualify for the list of approved brokers. Our Counterparty Review Committee (CRC) is responsible for ensuring that the list is monitored and reviewed. Greater frequency of the review is dependent on L&G's risk assessment of the counterparty. We do not have commission targets for brokers used. In the case of primary market transactions, counterparty selection will be limited to the broker who presents the opportunity.

## **10. Client specific instructions**

Where we are given a specific instruction from a client, we shall to the extent possible execute the order in accordance with that specific instruction. Our obligation of best execution will be satisfied by executing the order in accordance with the clients' specific instruction, to the extent of the specific instruction or instructions. It should be noted that any specific client instruction may prevent us from taking the steps needed to obtain the best execution relating to the specific aspect of the order. For all other aspects of the order, we will take all sufficient steps to obtain the best possible outcome for our clients.

## **11. Impact of legal documentation and counterparty restrictions on best execution**

A lack of appropriate legal documentation or other restrictions placed by clients on the counterparties with which L&G is permitted to trade may impact multiple execution factors, including the best achievable price for the trade and the speed of execution. For these purposes, best execution is deemed to be the best trading result possible using the available counterparties.



## 12. Monitoring

The L&G Global Execution Oversight Committee (the 'Committee') monitors the effectiveness of our execution arrangements on an on-going basis and reviews our execution policy annually or when there is a material change. The Committee has first line and second line representation, meets at least quarterly and covers all asset class trading conducted by the entities in scope for this policy.

L&G undertakes regular Transaction Cost Analysis (TCA) to monitor the quality of execution. Depending on the instrument this may involve systematic comparisons of execution prices with respect to trading benchmarks, opening/closing prices, or periodic high/low/composite prices as appropriate. Along with our own in-house Trading Research team, we utilise a number of third-party providers to monitor the quality of our execution.

## 13. Commission sharing arrangements

We do not utilise commission sharing accounts. All of our equity trading is executed at execution-only rates. We do not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements.

## 14. Order handling

- **Segregation of duties** – all trade execution is performed by the Global Trading & Liquidity Management team. This is an independent team, staffed by experienced investment professionals and reports to the Chief Investment Officer (CIO). In limited circumstances trading activity may be performed outside of this team by portfolio managers (e.g. certain US OTC and fixed income products)
- **Order priority** – orders are instructed to the market in chronological order subject to market conditions or any other limitation, such as a price limit, or time specific instructions, associated with the order. Orders in the same security, with identical instructions may be aggregated if it is deemed appropriate.
- **Trade allocation** – orders are pre-allocated by fund managers when they are raised on the order management systems. Partially filled orders are automatically pro-rated by the system with consideration as to economic viability.
- **Order management and execution** – all orders are raised by fund managers on our order management systems which timestamp orders at different stages of the process, from origination to the ultimate booking of the trades. In addition, the systems maintain a full audit trail at all times.

## 15. Conflicts of interest

- **Gifts and hospitality** – all employees are subject to the gifts and hospitality policy. Gifts and hospitality are monitored by the compliance department.
- **Dealing through associate companies** – we have dealing services arrangements in place with affiliated asset management companies in the US and Asia. No commission is charged to clients with the arrangement operating on a cost recovery basis between the firms.
- **Cross trading** – L&G may periodically match contra flows in the same financial instrument where permitted.



- **Personal account dealing** – all dealing in reportable securities must be pre-cleared by compliance with the exception of non-L&G Funds. Employees are not permitted to trade in corporate bonds, financial spread bets and short selling.
- **Inducements** – L&G may receive information and services from counterparties which enable enhancement of L&G's execution capabilities, provided the information or services meet the FCA definition of acceptable minor non-monetary benefits.
- **Assessment of controls** – the compliance department independently monitors how the business complies with the requirements of all applicable regimes. The results of its reviews are reported to senior management and formal oversight committees. In addition, Legal & General internal audit provides a further independent review of the systems and controls in the investment management business.

## 16. Notification to client

We will notify our clients of any material changes to this policy. Our Execution Policy is available at any time on our website.



# Appendix I

The following is non-exhaustive list (as at 2024) of the relevant best execution Regulations applicable in APAC and US regions in which L&G operates regulated entities.

## **Hong Kong**

Securities & Futures Commission (Hong Kong) – Fund Manager Code of Conduct: II.3.2 Best Execution

## **United States**

Section 206; Rule 206 of the Investment Advisers Act of 1940. Investment Adviser Act Release No. 2204 (Dec. 17, 2003) (Compliance Programs of Investment Companies and Investment Advisers)

Section 28(e) of the Securities Exchange Act of 1934. Securities and Exchange Act Release No. 23170 (April 23, 1986) (Interpretive Release Concerning the Scope of Section 28(e) of the Securities Exchange Act of 1934 and Related Matters)

# Appendix II List of counterparties and execution venues

## Equities and related securities

Auerbach Grayson & Co	Liquidnet
Bank of America Merrill Lynch	Jane Street
Barclays	JP Morgan
BNP	Macquarie Bank
Citigroup	Morgan Stanley
Credit Lyonnais	Numis Securities
Exane	Peel Hunt LLP
Goldman Sachs	Sanford Bernstein
HSBC	Societe Generale
Instinet	Tradeweb
Investec Bank	UBS
L&G	Virtu ITG

## Fixed Income and related securities

Bank of America Merrill Lynch	Liquidnet
Barclays	MarketAxess
BNP	Morgan Stanley
Citigroup	Nomura
Deutsche Bank	Natwest
Goldman Sachs	RBC
HSBC	Tradeweb
Jefferies	UBS
JP Morgan	Wells Fargo
L&G	

## Over The Counter (OTC) Derivatives

Bank of America Merrill Lynch	Morgan Stanley
Barclays	Natwest
BNP	Nomura
Citigroup	RBC
Deutsche Bank	Societe Generale
Goldman Sachs	Tradeweb
HSBC	UBS
JP Morgan	



## Foreign Exchange

Bank of America Merrill Lynch	National Australia Bank
Barclays	Natwest
BNP	RBC
Citigroup	Refinitiv
Deutsche Bank	Societe Generale
Goldman Sachs	Standard Chartered
HSBC	UBS
JP Morgan	WestPac
Morgan Stanley	

## Money Market and Security Financing Transactions (SFTS)

Bank of America Merrill Lynch	Morgan Stanley
Bank of Tokyo Mitsubishi UFJ	Natwest
Barclays	Rabobank
Citigroup	RBC
Goldman Sachs	Tradition
HSBC	Tullett Prebon Securities
ICAP Securities	UBS
Lloyds Bank	

## Important information

L&G – Asset Management  
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Authorised and regulated by the Financial Conduct Authority.

L&G - Asset Management does not provide advice on the suitability of its products or services.

Ultimate holding company - Legal & General Group plc.