

## BEST EXECUTION

The interpretation of the FINRA Board of Governors on Execution of Retail Transactions, the "Best Execution Interpretation," requires that:

in any transaction for or with a customer, a member and persons associated with a member shall ... buy or sell ... so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

This policy is particularly applicable to situations in which firms direct their order flow to a selected dealer. If the Firm has an agreement for payment for order flow, it must take extra steps to make the sure the best execution is obtained for its customers.

In order to check the best execution, the Firm will periodically review its trades. This review consists of either obtaining a copy of the TAG report from the clearing firm or taking a sample of trades on a quarterly basis. The time and sales report for each trade will be compared to the customer execution.

At all times the Firm will endeavor to make sure the customer receives the best execution. This includes:

- Establishment of a "Best Execution Committee" to review the firm's execution quality on a quarterly basis
- Information from the committee's review includes, but is not limited to a) order flow review; b) execution quality review by venue (e.g. listed, Nasdaq, etc.); c) execution quality review by order size; d) execution quality analysis
- The committee will review this information and a memo will be prepared and maintained to document the results of the meeting
- If the committee determines that there may be a problem, the following steps will be taken:
  - The executing broker/dealer will be contacted to determine why best execution was not received,
  - An appropriate review period will be selected to review transactions to determine if the executing firm is executing at better prices for the customer.
  - At all times the Trading DP will maintain notes either on the documents themselves or as memos to filed, documenting the Firm's efforts in reviewing best executions.
  - The Trading DP will also review the routing information its clearing firm has posted on its website to monitor best execution.