



Trade Execution, Order Routing, and Best Execution Policies

Q: What is Best Execution?

A: The concept of best execution stems from agency law. While best execution has never been formally or precisely defined, case law, FINRA™ (formerly NASD®) Notices to Members, and the Securities and Exchange Commission (SEC) releases have provided some guidance. Upon reviewing these communications, we have come to the conclusion that what constitutes best execution is a multi-faceted and highly subjective determination. Nonetheless, there is a general agreement that best execution does not mean solely achieving the best price. To ensure that it is achieving best execution for its client, a broker can consider such factors as the overall market quality, speed of execution, the size of the order, the trading characteristics of the particular security, counter-party risk, the availability of accurate information affecting choices regarding the most favorable market in which execution might be sought, the availability of economic access to the various market centers, and the cost and difficulty associated with achieving an execution in a particular market center. Because factors considered in evaluating best execution are constantly changing, the SEC has said that firms have a duty to regularly and rigorously review their order routing decisions.

Q: How does SSG achieve Best Execution?

A: Shareholders Service Group ("SSG") sends orders on behalf of clients to our clearing firm, Pershing LLC, for routing to various market centers and market makers for execution. SSG has selected Pershing for executions because of its consistently high-quality of executions, its reputation in the markets, its presence in all major markets, its access to a wide range of investment vehicles and financial instruments, and its strong financial condition. SSG does not receive payment for order flow and therefore does not prefer any particular market venues in its order routing. SSG directs all trades in the over-the-counter (OTC), exchange listed stocks, and options to Pershing LLC, for execution without consideration for compensation. For non-directed orders, Pershing LLC selects the venue of behalf of our customers. The designated market centers and market makers to which orders are automatically routed are selected based on the consistently high quality of their executions in one or more market segments and their history of seeking price improvements. SSG regularly reviews reports for quality of execution purposes. SSG reviews trade executions regularly on a random spot check basis comparing confirmed trade executions with market bid ask spreads at the time of the trades. Pershing has consolidated its Best Execution responsibilities within a single group called the Customer Execution Quality team. This group is charged with monitoring execution quality through a regular and rigorous review of the execution

quality we receive from the venues where Pershing routes equity and option orders. In addition, the group continually monitors alternative venues to identify opportunities for improving execution quality. For evaluating fixed income securities trades, Pershing uses a third-party vendor, The Karn Group, to obtain a fair value range for a security or list of securities that has not traded recently.

Q: How many order execution venues are available for order routing?

A: We use an automated order execution process through Pershing, which is a state-of-the-art, rules-based order routing engine that is proprietary to Pershing. It has redundant fault tolerant connections to route orders to all national stock and option exchanges and over 50 NASDAQ® market makers and several electronic communications networks (ECNs) and alternative trading systems (ATSs). It automatically routes orders to the national best bid or offer (NBBO) available at the time of the order. Pershing's decision to send equity and option orders to any market center or broker is based on the ability of the market center or broker to provide consistently high-quality executions and service. Before deciding to add a market center or broker to our routing engine, Pershing may evaluate many factors, including the level of automated execution, the opportunities for execution pricing at or better than the national best bid or offer (NBBO) at the time orders are received and/or executed, liquidity enhancement, order-handling protocols and limit-order execution rates. These considerations assist clients in obtaining the best prices available, while also affording market access with lower execution costs.

SEC Rule 606, Disclosure of Order Routing Practices rule, requires all brokerage firms to publicly disclose their order routing practices. This Disclosure describes the routing of "non-directed orders," orders that customers have not specifically asked to have sent to a particular venue for execution. To view the most recent report of the top venues executing SSG's non-directed orders, please visit www.orderroutingdisclosure.com. Click on the "Search" button on the top of the toolbar page, and enter Shareholders Service Group Inc (no punctuation) for details about each market center's executed trades.

Following this Q & A is a recent month's review and scorecard demonstrating the quality of Pershing's trade executions in equities and fixed income securities.

Q: What additional sources of information are available concerning meeting my firm's best execution obligations?

A: For more information on defining best execution, please refer to: SEC Release No. 34-37619A, NASD Notice to Members 96-65, 97-57, 98-96, 01-22, and Finra Rule 5310 (former NASD Rule 2320).

Execution Quality Scorecard

November 2022

Equities

	Quoted Spread	Effective Spread	Effective/Quoted	Percent At Quote or Better	Covered Order Size	Percent of Shares Price Improved	Price Improvement Cents Per Share
Listed S&P 500	4.72	1.28	27.03	98.36	338	93.39	1.88
NASDAQ 100	4.51	1.38	30.59	96.20	331	90.51	1.80
NYSE ARCA ETF's	2.54	0.88	34.72	98.51	439	89.53	0.95

Options

	Quoted Spread	Effective Spread	Effective/Quoted	Percent At Quote or Better	Covered Order Size	Percent of Contracts Price Improved	Price Improvement Cents Per Contract
Penny Pilot Classes	10.57	2.57	24.29	98.36	5	61.38	6.58
Non-Penny Pilot Classes	28.76	7.32	25.47	99.09	4	78.88	13.67

The performance for Pershing is comprised of the destinations receiving Pershing's order flow for the month, pursuant to SEC rule 605 for eligible market orders of less than 2,000 shares for equities. The option data covers electronic market orders, which are less than 20 contracts to harmonize with the data provided for equities. The Penny Classes category includes all option classes with the 0.01 minimum quoting increment when the option premium is less than three dollars per contract during the reporting month. Non-Penny Classes category does not include single listed index products.

This report is for general reference only. It does not necessarily reflect the performance which your firm received and should not be solely relied upon to satisfy your firm's obligation to regularly and rigorously review the execution quality of your order flow.

Please contact us if you have any questions.

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[pershing.com](https://www.pershing.com)

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Fixed Income Exception Statistics

November 2022

Asset Class	Percentage of Trades Flagged for Review Post Trade*	Percentage of Total Trades Corrected Post Trade	Percentage of Total Trades Cancelled Post Trade	Average Trade Size (Number of Bonds)
Investment Grade Corp Bonds	0.38%	0.01%	0.01%	46
High Yield Corp Bonds	1.68%	0.00%	0.12%	88
Municipal Bonds	4.49%	0.00%	0.01%	42
Agencies	10.25%	0.00%	0.00%	105
U.S. Treasuries	0.37%	0.02%	0.03%	445

*Pershing tests all fixed income asset classes executed through BondCentral and the Pershing Fixed Income Sales and Service Desks to establish and review if the execution you receive meets certain pre-defined tolerance tests. These pre-defined tolerance tests include, but are not limited of, historical Trace and MSRB reporting, when applicable, and are in addition and independent of those that may already be performed by TRACE and MSRB.

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For more information, please contact your relationship or account manager.

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