

## **MIFID II RTS 28 Report (Execution of Orders) – Professional Clients**

### **In respect of Currency Derivatives**

**By: The Bank of New York Mellon, London Branch (LEI: HPFHUOOQ28E4N0NFVK49) ("BNYM")**

**For the Period: 1 January 2017 to 31 December 2017 inclusive ("2017 Calendar Year")**

**Publication date: 30 April 2018**

<b>A CSV file version of the table below is available from our website</b>						
	Class of Instrument	Currency derivatives: Swaps, forwards and other currency derivatives Annex I paragraph (e) (ii) of Commission Delegated Regulation (EU) 2017/576				
	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 a percentage of total in the class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
1	The Bank of New York Mellon (LEI: HPFHUOOQ28E4N0NFVK49)	100%	100%	Not applicable (this venue does not operate an order book based trading system)	Not applicable (this venue does not operate an order book based trading system)	100%
2	N/A					
3	N/A					
4	N/A					
5	N/A					
<b>Notes to accompany the Report</b>						
	<p><b>A. Basis of the Report:</b></p> <p>This report ("Report") is published by BNYM solely to comply with its obligations under Commission Delegated Regulation (EU) 2017/576 and article 27(6) of Directive 2014/65/EU, as implemented (collectively, "MIFID II RTS 28"). The terms "passive orders", "aggressive orders" and "directed orders" shall have the meanings assigned to them under MIFID II RTS 28.</p> <p>MIFID II RTS 28 requires investment firms which execute client orders to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where they executed client orders in the preceding year and information on the quality of execution obtained in prescribed</p>					

<p>content and format.</p> <p>This is BNYM's first report under MIFID II RTS 28 since the obligation came into force on 3 January 2018. In line with ESMA's Questions and Answers on MIFID II and MIFIR investor protection and intermediaries topics (ESMA 35-43-349 – Best Execution – Answer to Question 6) ("ESMA Guidance"), whilst ESMA expects investment firms to publish their first MIFID II RTS 28 reports by 30 April 2018 covering the full 2017 Calendar Year period, ESMA recognises that for the first set of MIFID II RTS 28 reports, investment firms may not be able to fully report on information which is not available or applicable in relation to the preceding year e.g. where it is tied to new provisions stemming from MIFID II or MIFIR. Accordingly, in line with ESMA's Guidance, this Report has been prepared based on information available to BNYM in the 2017 Calendar Year and based on its best execution obligations in force for that period under Directive 2004/39/EC, as implemented ("MIFID I").</p> <p>This Report is published by BNYM solely to comply with its regulatory obligations under MIFID II RTS 28. Nothing in this Report shall be construed or relied upon by any person as a recommendation by The Bank of New York Mellon or any of its affiliates of any execution venues or entities identified in the Report and The Bank of New York Mellon and its affiliates disclaim any and all liabilities and losses arising from any such reliance to the fullest extent permitted by law.</p>
<p><b>B. Summary of our Analysis and Conclusions on the Quality of Execution</b></p> <p>Articles 3(a) to (h) of Commission Delegated Regulation (EU) 2017/576 require investment firms to publish for each class of financial instruments, a summary of the analysis and conclusions they draw from their detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year.</p> <p>As mentioned above, in line with ESMA's Guidance, this Report is prepared based on information available to BNYM based on BNYM's best execution obligations under MIFID I.</p> <p>In respect of currency derivatives ("FX Derivatives") orders executed in the 2017 Calendar Year:</p> <p class="list-item-l1">a. <i>An explanation of the relative importance BNYM gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution</i></p> <p>In taking all reasonable steps to obtain the best possible result for its clients, BNYM took into account the various execution factors including, price, costs, speed, likelihood of execution and any other relevant consideration, which BNYM prioritised in accordance with execution criteria including, but not limited to, characteristics of client, specific instructions on the order, currency pairings and market conditions. Client orders in FX Derivatives in liquid<sup>[1]</sup> currency pairings had different ranking of execution factors when compared to other currency pairings. BNYM used its commercial judgement and experience in light of available market information and its understanding of particular client to achieve the appropriate balance of priorities across a range of execution factors. If no specific instructions were received to the contrary, then price was usually considered the most significant execution factor, followed by the speed of execution and then the size of the order. This was particularly the case for FX Derivatives in liquid currency pairings. In certain situations where the market for a particular currency or currency pairing was volatile, illiquid or the order was of a large size, BNYM have determined in certain cases that the full execution or the likelihood of execution was more important to the client than the price. Additionally, in times of market disruption or in the event of a system outage, BNYM have prioritised speed of execution and certainty of execution and settlement over price.</p>
<p><sup>1</sup> BNYM treats liquid currencies to be G20 currencies, CHF, SGD, HKD, NOK, DKK and SEK.</p> <p class="list-item-l1">b. <i>A description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders</i></p> <p>The data contained in this Report only relates to client orders where BNYM had determined that best execution obligations were owed. BNYM did not execute any client orders on or with another execution venue or transmit any client orders to another investment firm for execution. BNYM is a market maker</p>

	<p>and dealer in FX Derivatives and BNYM transacts with clients in principal capacity. Consequently, The Bank of New York Mellon was the sole execution venue used for executing orders in FX Derivatives at the request of the client and all orders were directed orders to The Bank of New York Mellon.</p> <p>As The Bank of New York Mellon was the only execution venue for all client orders executed by it in the 2017 Calendar Year, the disclosure required by MiFID II RTS 28 regarding close links and common ownership with another execution venue used to execute client orders is therefore not relevant.</p> <p>Conflicts of interests between BNYM's own interests as an execution venue and a client's interests were managed in accordance with BNYM's conflict of interest policy.</p>
	<p><b>c. A description of any specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received</b></p> <p>As The Bank of New York Mellon was the only execution venue for all client orders executed in the 2017 Calendar Year, there is no relevant disclosure by BNYM with respect to such specific arrangements with any other execution venues.</p>
	<p><b>d. An explanation of the factors that led to a change in the list of execution venues used in BNYM's execution policy if such a change occurred</b></p> <p>The implementation of G20 OTC derivatives regulatory reform and in particular the WGMR variation margin obligations in 2017 meant that most clients are required to put in place netting and collateral agreements with their derivatives counterparties including BNYM prior to trading.</p> <p>Clients had not documented nor authorised BNYM to execute FX derivatives on their behalf with a third party. Clients transacted with The Bank of New York Mellon as a dealer and counterparty. Accordingly, The Bank of New York Mellon was the sole execution venue for all FX Derivatives executed in 2017 Calendar Year.</p>
	<p><b>e. An explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements</b></p> <p>All professional clients to whom BNYM determined that best execution obligations were owed were treated consistently in terms of BNYM's order execution arrangements.</p>
	<p><b>f. An explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client</b></p> <p>Not applicable.</p>
	<p><b>g. An explanation of how BNYM has used any data or tools relating to the quality of execution, including any data published under Commission Delegated Regulation (EU) 2017/575</b></p> <p>In the 2017 Calendar Year, BNYM did not utilise transaction cost analysis tool or RTS 27 (as defined below) reports to monitor its performance as an execution venue for FX Derivatives. Instead, BNYM relied on prices sourced from various market makers, liquidity providers and brokers for purposes of price construction and price validation. Since 3 January 2018, BNYM started to utilise an independent transaction cost analysis tool in order to assist with the monitoring of its performance as an execution venue for FX Derivatives and the information will not be relevant for FX Derivatives execution which took place in the 2017 Calendar Year. First information on quality of execution of FX Derivatives from other execution venues pursuant to Commission Delegated Regulation (EU) 2017/575 ("RTS 27") is also not</p>

	<p>expected to be available until 30 June 2018 and will only address the quality of execution in the first quarter of 2018 – i.e. no relevant information for the 2017 Calendar Year to provide comparative analysis.</p>
	<p><b><i>h. Where applicable, an explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU.</i></b></p> <p>Not applicable – the laws transposing Article 65 of Directive 2014/65/EU were not in force during the 2017 Calendar Year. Therefore, there was no use of consolidated tape provider data in 2017 Calendar Year to provide comparative analysis of quality of execution of FX Derivatives obtained on BNYM.</p>