

MIFID II RTS 28 Report (Transmission of Orders) – Professional Clients

In respect of Exchange Traded Products

By: **BNY MELLON CAPITAL MARKETS EMEA LIMITED (LEI: 21380005FBGOWU89LN14) (“CaML”)**

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

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<u>A CSV file version of the table below is available from our website</u>							
Class of Instrument		Exchange Traded Products (Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Commodities) Annex I paragraph (k) 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	
	Name	LEI			2017 data not available	2017 data not available	
1	Investment Technology Group Limited	213800EEC95PRUCEU P63	43.73%	47.36%	N/A	N/A	0%
2	Pershing Securities Limited	549300NC3GURN0AE ZU06	25.88%	17.71%	N/A	N/A	0%
3	Credit Suisse Securities (Europe) Limited	DL6FFRRLF74S01HE2 M14	23.31%	26.96%	N/A	N/A	0%
4	BNY Mellon Capital Markets, LLC	VJW2DOOHGDT6PRO ZRO63	7.06%	7.94%	N/A	N/A	0%
5	Morgan Stanley Securities Limited	VLR6T6E60GH5GUS0X X16	0.02%	0.03%	N/A	N/A	0%
	Total		100.00%	100.00%	N/A	N/A	0%
<u>Notes to accompany the Report</u>							
<p>A. Basis of the Report:</p> <p>This report (“Report”) is published by CaML solely to comply with its obligations under Commission Delegated Regulation (EU) 2017/576, article 65(6) of Commission Delegated Regulation (EU) 2017/565 (where CaML transmitted orders for execution) and article 27(6) of Directive 2014/65/EU, as implemented in the Conduct of Business Rules of the Financial Conduct Authority (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>							

(however please note that apart from “directed orders” no data regarding these order types covering the 2017 Calendar Year is available to CaML).

MIFID II RTS 28 requires investment firms which execute client orders (or transmit client orders to other entities for execution) to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues (or entities, in the case of transmission) in terms of trading volumes where they executed (or transmitted for execution) client orders in the preceding year and information on the quality of execution obtained in prescribed content and format.

This report is published by CaML in respect of its order transmission activities, and accordingly details the top five entities to which CaML transmitted orders for execution.

This is CaML’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 CaML 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**”).

This Report is published by CaML 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 CaML or any of its affiliates of any execution venues or entities identified in the Report and CaML and its affiliates disclaim any and all liabilities and losses arising from any such reliance to the fullest extent permitted by law.

B. Summary of our Analysis and Conclusions on the Quality of Execution

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.

As mentioned above, in line with ESMA’s Guidance, this Report is prepared based on information available to CaML based on CaML’s best execution obligations under MIFID I.

In respect of orders executed in the 2017 Calendar Year in respect of Exchange Traded Products (“ETP”):

a. ***An explanation of the relative importance CaML 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***

In taking all reasonable steps to obtain the best possible result for its clients, CaML took into account various execution factors in deciding how and where to transmit client orders for execution including price, costs, speed, likelihood of execution and settlement, size, nature of the order or any other considerations relevant to the execution of an order. To determine the relative importance and priority of these execution factors, CaML used its commercial judgement and experience taking into account criteria relevant to best execution such as the client’s status as a professional client, in addition to the size and nature of an order, the characteristics of the financial instruments to which the order relates, as well as the possible execution venues to which the order can be directed. CaML in general regarded price as the most important factor, but also adjusted the importance of the weightings of the remaining execution factors on a per trade basis, taking into account the nature of the order and the market at the time. In certain situations where the likelihood of execution was small (for example for an illiquid security) then CaML placed higher priority on other factors such as the likelihood of execution.

In general, liquidity in ETPs is less concentrated in regulated markets when compared to equities – shares and depositary receipts. As mentioned above, CaML in general regarded price as the most important execution factor in determining where to execute an ETP order. For most ETPs, CaML will be

	<p>able to seek prices directly from liquidity providers as well as through its broker network with access to regulated markets/stock exchanges. If prices offered by liquidity providers are better than regulated markets/stock exchanges, CaML will seek to execute the ETP orders directly with the liquidity providers. If prices appear better on regulated markets/stock exchanges, CaML will transmit the ETP order to its broker network for execution.</p>
	<p>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>There is no direct ownership relationship between BNY Mellon Capital Markets EMEA Limited and Pershing Securities Limited (“PSL”) but each entity is an indirect wholly owned subsidiary of The Bank of New York Mellon Corporation. Any potential conflicts of interests between CaML, PSL and a client’s interests were managed in accordance with CaML’s conflict of interest policy.</p> <p>There is no direct ownership relationship between BNY Mellon Capital Markets EMEA Limited and BNY Mellon Capital Markets LLC (“LLC”) but each entity is an indirect wholly owned subsidiary of The Bank of New York Mellon Corporation. Any potential conflicts of interests between CaML, LLC and a client’s interests were managed in accordance with CaML’s conflict of interest policy.</p> <p>CaML transmitted some ETP client orders for execution to both LLC and PSL through the 2017 Calendar Year. CaML only transmitted client orders to LLC or PSL for execution to realise potential benefits to clients, including but not limited to:</p> <ul style="list-style-type: none"> • price improvement through improved spread-capture when compared with an external venue; • cost control through the reduction of explicit external costs; and • implicit cost control by minimizing market impact through a reduction in information leakage. <p>When CaML transmitted a client order to LLC or PSL, it ensured that the same standards of pre and post trade monitoring were employed to review and assess the quality of execution secured for our clients as are used when evaluating and assessing third parties.</p>
	<p>c. <i>A description of any specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received</i></p> <p>CaML did not receive payments, discount, rebates or non-monetary benefits from the brokers to whom it transmitted orders for execution during the 2017 Calendar Year reporting period. During the 2017 Calendar Year, brokerage charges were payable by CaML to the brokers with which it placed orders for execution, as compensation for the execution services they provided.</p>
	<p>d. <i>An explanation of the factors that led to a change in the list of execution venues used in CaML’s execution policy if such a change occurred</i></p> <p>CaML did not make material changes to the list of execution venues for 2017 Calendar Year.</p>
	<p>e. <i>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</i></p> <p>CaML did not execute orders for retail clients (as defined under MIFID I) or transmit orders on their behalf during the 2017 Calendar Year. All professional clients to whom CaML determined best execution obligations were owed were treated consistently in terms of our order execution and/or transmission arrangements.</p>
	<p>f. <i>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</i></p>

	<p>N/A – CaML did not execute orders for retail clients (as defined under MiFID I) or transmit orders on their behalf during the 2017 Calendar Year.</p>
	<p>g. <i>An explanation of how CaML has used any data or tools relating to the quality of execution, including any data published under Commission Delegated Regulation (EU) 2017/575</i></p> <p>In the 2017 Calendar Year, CaML utilised an independent transaction cost analysis tool in order to assist with the monitoring of its performance and delivery of best execution.</p> <p>However, Commission Delegated Regulation (EU) 2017/575 was not in force during the 2017 Calendar Year. Therefore, no data was available during the 2017 Calendar Year for analysis.</p>
	<p>h. <i>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></p> <p>N/A – 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 obtained by CaML.</p>