

## **Annual Top Five Execution Venues and Quality of Execution Reports (RTS 28)**

**Reporting period: Calendar Year 1<sup>st</sup> January 2020 – 31 December 2020**

RTS 28<sup>1</sup> requires:

- Investment firms who 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 previous year; and
- Investment firms 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. The information shall include:
  - (a) an explanation of the relative importance the firm 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;
  - (b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;
  - (c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;
  - (d) an explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred;
  - (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;
  - (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;
  - (g) an explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Commission Delegated Regulation (EU) 2017/575;
  - (h) where applicable, an explanation of how the investment firm has used output of a consolidated tape provider authorised in accordance with the Data Reporting Services Regulations 2017.

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<sup>1</sup> <https://www.handbook.fca.org.uk/handbook/COBS/11/?view=chapter>

**SECTION N.1: FIXED INCOME**

<b>Class of instrument: Debt Instruments: Bonds</b>						
<b>Notification if &lt; 1 average trade per business day in the previous year: N</b>						
<b>Top five execution venues ranked in terms of trading volumes (descending order)</b>						
<b>Rank</b>	<b>Venue Name &amp; MIC</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of orders executed as percentage of total in that class</b>	<b>Percentage of passive orders</b>	<b>Percentage of aggressive order</b>	<b>Percentage of directed order</b>
<b>1</b>	<b>Daiwa Capital Markets Europe Limited – Systematic Internaliser</b>  <b>MIC – DAIW</b>	<b>81.57%</b>	<b>67.03%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>2</b>	<b>Tradeweb Europe Limited</b>  <b>MIC – TREU</b>	<b>14.52%</b>	<b>10.01%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>3</b>	<b>Bloomberg Trading Facility Limited</b>  <b>MIC – BMTF</b>	<b>3.00%</b>	<b>14.10 %</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>4</b>	<b>Tradeweb EU BV – MTF</b>  <b>MIC – TWEM</b>	<b>0.87%</b>	<b>0.24%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>5</b>	<b>Marketaxess Europe Limited</b>  <b>MIC 0 MAEL</b>	<b>0.02%</b>	<b>7.55%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

**SECTION N.1.1: FIXED INCOME. Explanation of relative importance given to execution factors.**

Typically, where DCME is working an order, the client gives a specific instruction in relation to the price/yield and time leaving no discretion to DCME. As such, for these aspects DCME fulfils its obligation by following the client’s instruction to the letter. Also, where the client specifies the prioritised execution factors, DCME follows any such instructions.

Should there be any remaining residual discretion, DCME will generally consider the relative importance of the execution factors to be as follows:

1. Price
2. Speed
3. Size
4. Likelihood of execution
5. Cost

6. Other consideration relevant to the execution

However, where the bond is illiquid, DCME may consider the order to be as follows instead:

1. Likelihood of execution
2. Size
3. Price
4. Cost
5. Speed
6. Other considerations relevant to the execution

**SECTION N.1.2: FIXED INCOME. Description of links, conflicts and common ownership.**

DCME may pass orders to affiliates in the same group of entities.

On the occasion that DCME is left an order with discretion and where execution involves the transmission of orders to its affiliates, DCME would monitor results to ensure the same duty of care is applied to orders and that the selected executing parties act in accordance with DCME's client's best interests.

**SECTION N.1.3: FIXED INCOME. Description of specific arrangements.**

Spreads achieved by DCME may be shared with its group affiliated entities.

**SECTION N.1.4: FIXED INCOME. Changes in execution venues.**

From time to time DCME may change the execution venues that it faces; in such instance, changes are made further to its business requirements and the interests of its clients.

**SECTION N.1.5: FIXED INCOME. Client categorisation.**

DCME serves only Professional Clients and Eligible Counterparties; DCME does not treat clients differently for these purposes based solely on their client categorisation.

**SECTION N.1.6: FIXED INCOME. Retail.**

DCME does not support retail clients.

**SECTION N.1.7: FIXED INCOME. Data or tools.**

Not Applicable

**SECTION N.1.8: FIXED INCOME. Consolidated tape provider.**

Not applicable

**SECTION N.2: INTERNATIONAL CONVERTIBLE BONDS**

<b>Class of instrument : Debt Instruments, Bonds</b>						
<b>Notification if &lt; 1 average trade per business day in the previous year: N</b>						
<b>Top five execution venues ranked in terms of trading volumes (descending order) *</b>						
<b>Rank</b>	<b>Venue Name &amp; MIC</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of orders executed as percentage of total in that class</b>	<b>Percentage of passive orders</b>	<b>Percentage of aggressive order</b>	<b>Percentage of directed order</b>
<b>1</b>	<b>Daiwa Capital Markets Europe Limited – OTC MIC - XOFF</b>	<b>67.74%</b>	<b>64.3%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>2</b>	<b>Daiwa Capital Markets Europe Ltd MIC - DAIW</b>	<b>31.99%</b>	<b>34.31%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>3</b>	<b>Tradeweb Europe Ltd MIC - TREU</b>	<b>0.15%</b>	<b>0.54%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>4</b>	<b>Tokyo Stock Exchange XTKS</b>	<b>0.12%</b>	<b>0.85%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

The rationale underpinning the RTS28 report requirements here follow that of fixed income (set out above).

**SECTION N.3: EQUITIES**

<b>Class of instrument: Shares and Depository receipts</b>						
<b>Notification if &lt; 1 average trade per business day in the previous year: N</b>						
<b>Top five execution venues ranked in terms of trading volumes (descending order)</b>						
<b>Rank</b>	<b>Venue Name &amp; LEI</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of orders executed as percentage of total in that class</b>	<b>Percentage of passive orders</b>	<b>Percentage of aggressive order</b>	<b>Percentage of directed order</b>
1	Daiwa Capital Markets Hong Kong LTD  5493006QFGLW3R4JYW87	59.62%	3.79%	N/A	N/A	N/A
2	Daiwa Securities Co. LTD  549300D405BPQ5DDVJ61	38.19%	88.97%	N/A	N/A	N/A
3	Sanford C. Bernstein Limited  54930049G8WQ50OUSD19	1.34%	6.33%	N/A	N/A	N/A
4	Macquarie Capital Europe Limited  549300GX4FPMFF91RJ37	0.22%	0.36%	N/A	N/A	N/A
5	FLOW Traders BV  549300CLJ9XDH12XV51	0.23%	0.02%	N/A	N/A	N/A

**SECTION N.3: EQUITIES****SECTION N.3.1: EQUITIES. Explanation of relative importance given to execution factors.**

DCME consider the following factors when executing orders. Each factor will vary in importance depending on the characteristics of the order in question. It is important to recognise that we endeavour to measure Best Execution over the duration of the whole order, not necessarily on a tick by tick basis or even, in the case of multiple day orders, a day by day basis. In general, this is how we approach each factor:

1. Likelihood of Execution and Settlement – uncertainty in the areas of execution and settlement is not acceptable in our view. Venues or counterparties that introduce this element of risk are either not used or used once such risks are explained to clients.
2. Price – on average, over the course of the order, compared to a suitable benchmark such as market volume weighted average price, last price or another reasonable benchmark chosen by the client.

### 3. Costs –

Explicit Cost: We do not vary our commission charges according to venue, only by geography. The predominance of trading on primary exchanges and requirement to report off market crosses on exchange mean explicit costs tend to be constant across venues.

Implicit costs: result from how a trade is executed (immediately or worked over a period, in a block, or as child orders sent to multiple different execution venues).

In theory a trade may appear more expensive in terms of explicit costs but may be less expensive when implicit costs are considered. For example if we work a large order over time, preserving the client's confidentiality and minimising market impact we may achieve the lowest total cost (and the best net price), The impact of implicit cost is difficult to quantify. As a result, ahead of a trade DCME make a judgement about the likely implicit cost of an execution strategy and take all sufficient steps to manage them. For example if sweeping alternative venues for marginal price improvements results in only small-lot child orders printing but alerts the market to the larger order it is reasonable to ignore the small lot price improvements in the alternative venues for the greater good of the parent order.

### 4. Speed –

Speed: A majority of Asian business is executed overnight in the region so speed from client to execution venue is interrupted given the time difference; we take the order and several hours later our chosen executing broker slices to the market.

Where orders are received in London morning time, for execution in markets immediately (that have not yet closed for the day), every attempt to transmit orders to our executing counterparties (and on to the market) promptly is made.

Equally, for business executed in the US (ETFs/ADRs/US listed Asian Issues) by our chosen broker, a similar attempt to transmit orders swiftly is made.

For European orders where we face live markets, we place all orders via FIX to our execution brokers, hence speed is hardly differentiated by venues/brokers.

### 5. Size

Size of order versus size of liquidity available in the market needs to be considered to ensure market impact is appropriate and will not adversely impact the execution outcome.

### 6. Nature of Order; least impact, time constrained, any other factors such as time constraints and liquidity need also to be considered to ensure client's objectives are achieved.

Any specific client instruction that causes an order to deviate from our prescribed Best Execution Factors will be taken to have over-ridden our Best Execution Obligations. This includes but is not limited to the use of our Direct Market Access service.

## **SECTION N.3.2: EQUITIES. Description of links, conflicts and common ownership.**

DCME may pass orders to affiliates in the same group of entities.

Where execution involves the transmission of orders to its affiliates and third parties, DCME monitors results to ensure the same duty of care is applied to orders and that selected executing parties act in accordance with DCME's client's best interest.

**SECTION N.3.3: EQUITIES. Description of specific arrangements.**

Execution rates achieved by DCME may be shared with its group affiliated entities.

**SECTION N.3.4: EQUITIES. Changes in execution venues.**

From time to time DCME may change the execution venues that it faces; in such instance, changes are made further to its business requirements and the interests of its clients.

**SECTION N.3.5: EQUITIES. Client categorisation.**

DCME serves only Professional Clients and Eligible Counterparties; DCME does not treat clients differently for these purposes based on their client categorisation alone.

**SECTION N.3.6: EQUITIES. Retail.**

DCME does not support retail clients.

**SECTION N.3.7: EQUITIES. Data or tools.**

Not Applicable

**SECTION N.3.8: EQUITIES. Consolidated tape provider.**

Not applicable