

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

In respect of Debt Instruments: Money Market Instruments

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

For the Period: 1 January 2019 to 6 December 2019 inclusive (“2019 Calendar Year”)

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<u>A CSV file version of the table below is available from our website</u>							
Class of Instrument			Debt Instruments: Money Market Instruments Annex I paragraph (b) (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
	Name	LEI/MIC					
1	Bloomberg Trading Facility Limited	BMTF	56.52%	65.96%	N/A	N/A	0%
2	KING & SHAXSON LIMITED	213800ARTV ZQSADRZ559	15.94%	11.70%	N/A	N/A	0%
3	Deutsche Bank AG - Systematic Internaliser	DBES	7.92%	5.85%	N/A	N/A	0%
4	MORGAN STANLEY & CO. INTERNATIONAL PLC	4PQUHN3JP FGFNF3BB653	6.84%	4.26%	N/A	N/A	0%
5	BARCLAYS BANK UK PLC	213800UUG ANOMFJ9X769	5.28%	5.85%	N/A	N/A	0%
Total for top five execution venues:			92.50%	93.62%	N/A	N/A	0%

Counterparty breakdown required by ESMA¹ for orders executed over non-anonymous request-for-quote system	
Class of Instrument	Debt Instruments: Money Market Instruments executed on Bloomberg Trading Facility Limited (BMTF) Annex I paragraph (b) (ii) of Commission Delegated Regulation (EU) 2017/576

¹ ESMA Questions and Answers on MiFID II and MiFIR investor protection and intermediaries topics (ESMA 35-43-349) – Best Execution topics – Answer to Question 19 (Reporting for firms using a venue’s RFQ system to agree a trade)

	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					
1	Danske Bank A/S	MAES062Z2104RZ2U7M96	26.26%	27.66%	N/A	N/A	0%
2	The Toronto-Dominion Bank	PT3QB789TSUIDF371261	23.95%	23.94%	N/A	N/A	0%
3	BNY Mellon Capital Markets, LLC	VJW2DOOHGDT6PROZRO63	1.88%	0.53%	N/A	N/A	0%
4	DEUTSCHE BANK AKTIENGESELLSCHAFT	7LWTFZYICNSX8D621K86	1.59%	2.66%	N/A	N/A	0%
5	CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK	1VUV7VQFKUOQSJ21A208	0.84%	0.53%	N/A	N/A	0%
	Total for top five execution venues:		54.53%	55.32%	N/A	N/A	0%

Notes to accompany the Report	
<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 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> <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 content and format. This Report has been prepared based on client orders executed by CaML in the 2019 Calendar Year.</p> <p>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. CaML has ceased trading from the close of business on 6th December 2019</p>	
<p>B. Summary of our Analysis and Conclusions on the Quality of Execution</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>In respect of orders executed in the 2019 Calendar Year in respect of debt instruments – money market instruments (“MMIs”):</p>	

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 sufficient steps to obtain the best possible result for its clients, CaML took into account various execution factors in deciding how and where to execute client orders including price, costs, speed, likelihood of execution and settlement, size, nature of the order and 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 experience and judgement in addition to taking into account criteria relevant to best execution, such as the client's status as a professional client, the size and nature of the order, the characteristics of the financial instrument to which the order relates, as well as the possible execution venues to which that order can be directed.

CaML in general regarded price as the most important execution factor, but also adjusted the importance placed on the remaining execution factors on a per trade basis, taking into account the nature of the order and the market at the time. CaML also recognised the circumstances where other execution factors needed to be considered to have a higher priority, such as in situations where the likelihood of execution was small (for example for an illiquid security) then CaML placed higher priority on the other factors such as the likelihood of execution. CaML also took into account any specific requirements or instructions from the client which CaML accepted at the point of receiving an order in adjusting the relative importance of execution factors.

Certificates of deposits ("CDs") and commercial paper ("CPs") were executed through the dealership panel of a particular issuer. It is a primary market with limited secondary pricing. Depending upon the availability of the specific CDs and CPs, client specific requirement and size of the order, likelihood of execution was sometimes given greater priority than price.

b. A description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders

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.

CaML executed some client orders with LLC in the 2019 Calendar Year. CaML only executed client orders with LLC to realise potential benefits to clients, including but not limited to:

- price improvement through improved spread-capture when compared with an external (non-BNY Mellon) venue;
- cost control through the reduction of explicit external costs; and
- implicit cost control by minimizing market impact through a reduction in information leakage.

Where CaML executed clients' orders with LLC, it ensured that the same standards of pre and post trade monitoring were employed to review and assess the quality of execution secured for its clients as are used when evaluating and assessing unaffiliated execution venues.

c. A description of any specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received

There was no such specific arrangement with any execution venue.

d. 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

CaML did not make material changes to the list of execution venues in the 2019 Calendar Year. However, the execution venues where orders were actually executed are different when compared to the previous year as these execution venues were the dealers for the specific MMI instrument traded.

	<p>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</p> <p>CaML did not execute MMI orders for retail clients during the 2019 Calendar Year. All professional clients to whom CaML determined best execution obligations were owed were treated consistently in terms of our order execution arrangements.</p>
	<p>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</p> <p>N/A – CaML did not execute MMI orders for retail clients during the 2019 Calendar Year.</p>
	<p>g. 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</p> <p>In the 2019 Calendar Year, CaML utilised Bloomberg’s transaction cost analysis tool (“BTCA”) to monitor the quality of execution obtained from the execution venues where CaML executed client orders in fixed income instruments, including but not limited to MMIs.</p> <p>Alerts for potential best execution exceptions were generated by BTCA based on pre-configured tolerance levels set by CaML for the specific type of instrument. The reports generated by BTCA captures all executed client orders, including those generating alerts i.e. executions that fall outside the relevant pre-set tolerance levels. The reports are separated into bands differentiated by differing levels of credit ratings. Each band has two reports, a ‘no tolerance’ report which contains the entire population of fixed income trades in that band and a ‘tolerance’ report which contains the number of alerts flagged within that band.</p> <p>Alerts are reviewed weekly by the control function (which is separate from the front office staff that handles client orders) using a mixture of tools such as market data, charts, audit trails etc. to determine if best execution was achieved. For every alert, the control function would review the price that was given to the client against the market price at the time of execution using best data source available on Bloomberg. Alternatively, an audit trail could be used to determine that the trader had gone to market with a request for quote and selected the best price available to CaML. From these sources, the control function would determine whether best execution has been achieved. Any trades that do not appear to have achieved best execution would be escalated to the business (execution desk). Any issues that cannot be resolved would be escalated to the Order Execution Forum (“OEF”). The OEF is held monthly and attended by business, compliance (providing second line of defence oversight and challenge) and control function staff. All alerts are compiled for monthly reporting to the OEF. Any procedural, tolerance or control changes to the best execution monitoring and delivering process must be approved by the OEF before being adopted.</p> <p>In respect of quarterly data published by execution venues in the 2019 Calendar Year under Commission Delegated Regulation (EU) 2017/575 (“RTS 27”), CaML has found that the majority of execution venues had not published their RTS 27 data in a consistent or complete manner and this had created significant challenges in our ability to use the available data for meaningful comparisons between the performance execution venues. However, as referred to above, apart from RTS 27 data, the BTCA tool used by CaML for post execution monitoring provides market data e.g. execution data of other venues for certain instruments which are used as benchmarks on BTCA. Where a venue is recognised by CaML to consistently provide best execution but is not already on CaML’s panel, CaML will review that venue with a view to include it on its panel, if appropriate.</p>
	<p>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.</p> <p>There was no consolidated tape provider data available in the market in 2019 Calendar Year to provide comparative analysis of quality of execution obtained by CaML.</p>

