

**MiFID II Best Execution  
Information on Execution Quality Obtained  
Credit Suisse (Luxembourg) S.A.**

**2017**

## Introduction

This execution quality report refers to the obligations set out in Art. 27.6 of Directive 2014/65/EU ("MiFID II") and Art. 3 of Commission Delegated Regulation (EU) 2017/576 ("RTS 28"), and outlines a summary of the analysis and conclusions drawn from our monitoring of the quality of execution obtained on the execution venues where client orders were executed in the previous year by Credit Suisse (Luxembourg) S.A. ("CS Lux" or "the Bank").

This report covers the period from 1 January 2017 to 31 December 2017. As outlined in ESMA's Q&A on MiFID II and MiFIR investor protection topics, certain aspects of the RTS 28 requirements are tied to new provisions from MiFID II or MiFIR. Thus, this report may not include some of the details required by RTS 28 in relation to information obtained before MiFID II entered into force. Where this is the case, some of the arrangements described may reflect adjustments made by Credit Suisse in preparation for and the context of MiFID II. Please consult the section on assumptions, limitations and other considerations for further information.

These reports should be read in conjunction with the CS Lux's Best Execution Policy. The current version is available at on the Bank's website:

[http://csintra.net/pb/luxembourg/doc/BU38\\_Client\\_Informatio\\_Booklet\\_CS\\_Lux\\_EN\\_012018.pdf](http://csintra.net/pb/luxembourg/doc/BU38_Client_Informatio_Booklet_CS_Lux_EN_012018.pdf)

For clients serviced by Credit Suisse legal entities other than Credit Suisse (Luxembourg) S.A., note that there may be separate Best Execution Policies and reports with information on execution quality obtained by those legal entities.

Please contact your relationship manager for further information or any additional questions.

## RTS 28 Execution quality reporting

### All asset classes

### Jan-Dec 2017

*Unless stated otherwise, the following information relates to all asset classes included in the RTS 28 Top 5 Venue Reports. A full list of all asset classes executed/received and transmitted by the Bank in 2017 can be found on page 5.*

#### **A. Explanation of the importance the Bank gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when making assessments of the quality of execution**

As described in the Bank's Best Execution Policy, when executing or transmitting client orders, we will take all sufficient steps to achieve the best possible result for clients taking into account the execution factors relevant to the order. The below execution factors are considered when determining the best result:

- Price - this is the price a financial instrument is executed at;
- Costs - this includes implicit costs such as the possible market impact, explicit external costs e.g. exchange or clearing fees and explicit internal costs which represents the Bank's own remuneration through commission or spread;
- Likelihood of execution or settlement - the likelihood that we will be able to complete a client transaction;
- Speed of execution - time it takes to execute a client transaction including settlement;
- Size of the order - this is the size of the transaction executed for a Client accounting for how this affects the price of execution; and
- Nature of the transaction or any other consideration relevant to the execution of the transaction - this is how the particular characteristics of a client transaction can affect how Best Execution is received.

For Retail Clients, MiFID II requires the best possible result primarily to be defined in terms of the Total Consideration.

The Total Consideration is composed of the execution price of the financial instrument and of all costs directly related to the execution of it. The cost of a transaction includes brokerage, clearing and exchange fees, as well as settlement costs and other third party fees. While MiFID II allows to determine the best possible result differently for Professional Clients compared to Retail Clients, the Bank has chosen to also apply the Total Consideration as determining element for the best possible result also to Professional Clients.

CS Lux will ensure that the effectiveness of the order execution arrangements are monitored on a periodic basis in order to identify and complete corrective actions, where appropriate, in regards to any deficiencies. In particular:

- An assessment is made on a periodic basis as to whether the execution venues or intermediaries used provide for the best possible result for clients or whether changes need to be made to execution arrangements
- A review is undertaken of the order execution arrangements on annual basis, or when a material change occurs that affects the Bank's ability to continue to obtain the best possible result when executing client orders on a consistent basis.

#### **B. Description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders**

CS Lux shares an integrated execution platform with other Credit Suisse Group entities and routes a significant volume of orders to other entities via this

platform as this offers a unique speed and likelihood of execution to clients. We believe this set up to be in the interests of our clients and that it allows us to achieve Best Execution when executing and transmitting orders on their behalf.

- Cash Equities: The Bank does not hold direct exchange membership with any trading venue and has relied on Credit Suisse Securities (Europe) Limited ("CSSEL") order management system (Advanced Execution Services, or "AES") for predominantly low touch orders. In addition, we have used CSSEL's high touch dealers for orders that could not be executed directly on the AES platform.
- Foreign Exchange and other OTC derivatives (with the exception of equity derivatives which are with executed with Credit Suisse AG) are executed exclusively via Credit Suisse (Switzerland) Ltd. through an integrated execution platform. Given the dynamics of the market it is not feasible to obtain multiple competing quotes from dealers prior to execution. We believe this set up to be in the interests of our clients and that through this set up Best Execution was achieved.
- Listed Derivatives / Exchange Traded Derivatives are transmitted exclusively via Credit Suisse (Switzerland) Ltd. through an integrated execution platform.
- Money Market Instruments, Structured Finance Instruments and Structured products were exclusively executed with Credit Suisse (Switzerland) Ltd. via our integrated execution platform.
- In addition, a large volume of Exchange Traded Products were transmitted to Credit Suisse Securities (Europe) Limited via our integrated execution platform.

In order to ensure that this setup continues to benefit clients, CS Lux conducts a periodic review of all execution venues used, including Group entities, in order to assess whether Best Execution is achieved on a consistent basis. In particular, all intermediaries will be chosen after due diligence that demonstrates that CS Lux's criteria for Best Execution are guaranteed by the broker / intermediary on a consistent basis.

Additional general information on the identification and management of conflicts of interest can be found in the brochure "Your Banking Relationship with CREDIT SUISSE (LUXEMBOURG) S.A. available on the Bank's website: <https://www.credit-suisse.com/media/assets/private-banking/docs/lu/information-on-your-relationship-en-03-01-2018.pdf>

**C. Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received**

In relation to Structured Products and Mutual Funds, the Bank may receive inducements based on the amount invested. Such payments are disclosed in more detail in the brochure Your Banking Relationship with CREDIT SUISSE (LUXEMBOURG) S.A. available on the Bank's website: <https://www.credit-suisse.com/media/assets/private-banking/docs/lu/information-on-your-relationship-en-03-01-2018.pdf>

For all other asset classes, the Bank does not have any specific arrangements with any execution venues regarding payments made or received, discounts or non-monetary benefits received.

**D. 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**

CS Lux relies on the equity broker assessment performed by the parent company Credit Suisse (Switzerland) Ltd.. The list of brokers was changed during the calendar year 2017. A main driver of these changes were the updates of the broker selection process resulting from, in particular, the new regulatory requirement in relation to unbundling of research and execution fees. In compliance with MiFID II, research was excluded as a criteria in selecting intermediaries / brokers.

In relation to debt instruments (bonds), the Bank has signed a membership with the Bloomberg Multilateral Trading Facility and has added this trading venue to the list of execution venues.

For all other asset classes, the Bank made no changes to the list of execution venues listed in the firm's execution policy during the period. This list was approved by the local broker assessment board.

**E. Explanation of how order execution differs according to client categorisation, where the firm treats such category of client differently and where it may affect order execution arrangements**

As described in the Bank's Best Execution Policy, no difference is made in treating orders from retail and professional client. The total consideration is the primary execution factor considered when selecting intermediaries or execution venues.

**F. Explanation of when 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**

Across all asset classes, immediate Price and Costs ("Total Consideration") prevails for Retail and Professional client orders.

However, there may be circumstances where the primary execution factors vary and the price is no longer the dominant execution factor; for example, for transactions in illiquid securities, likelihood of execution and market impact become more important. In order to determine the relative importance of the above mentioned factors, the Bank also considers the characteristics of the client, the order, the specific Financial Instrument in question as well as the Execution Venue(s) or Broker such order could be directed to.

## RTS 28 Execution quality reporting

### Assumptions, limitations and other considerations

#### Jan-Dec 2017

1. Under RTS 28, firms are expected to provide a summary of the analysis and conclusions they draw from their detailed monitoring of execution quality in relation to each class of financial instrument. As this information is largely common across all classes of financial instruments executed or received and transmitted by CS Lux, this has been presented on a consolidated basis. Asset class specific considerations have been highlighted within the Quality of Execution Report where relevant.
2. For client orders in which the Bank acts in Reception and Transmission of Orders ("RTO") capacity and sends an order to another entity for execution, the distinction between passive and aggressive orders as defined in Article 2 of RTS 28 has been deemed not relevant and has not been disclosed in the Top 5 reports published in accordance with Article 65(6) of the Delegated Regulation.
3. Although the majority of CS Lux's Fixed Income volume traded in Execution capacity has been traded on the Bloomberg MTF (BMTF), this trading venue has not been listed in the relevant Top 5 reports. This is due to the fact that Bloomberg MTF went live during 2017, and therefore to provide a meaningful comparison across the year, the report has been produced on a consistent basis highlighting the executing brokers only.
4. Market orders have been interpreted as aggressive orders that take liquidity. Limit orders have been interpreted as passive orders that provide liquidity.
5. All orders in OTC products have been assumed to be market orders, and thus aggressive.
6. For the purpose of producing this report, it has not been possible to consider directed orders due to a lack of data. This issue will be addressed in 2018 and related information will be published from the April 2019 reports onwards.
7. For the purpose of producing the Top 5 Execution Venue/Broker reports on Equity and Fixed Income instruments (Bonds), it has not been possible to provide separate reports for retail and professional clients and information on aggressive and passive orders due to a lack of data (applicable to Fixed Income in Execution capacity only). This issue will be addressed in 2018 and related information will be published from the April 2019 reports onwards.
8. Credit Suisse (Luxembourg) S.A. executed or received and transmitted orders on behalf of clients in the following financial instrument classes:
  - a. Equities (shares & depositary receipts)
  - b. Debt instruments (bonds)
  - c. Debt instruments (money market instruments)
  - d. Currency derivatives (Options and Futures admitted to trading on a trading venue)
  - e. Currency derivatives (swaps and forwards)
  - f. Equity derivatives (Options and Futures admitted to trading on a trading venue)
  - g. Equity derivatives (Swaps, forwards, and other currency derivatives)
  - h. Structured finance instruments
  - i. Securitized derivatives (warrants and certificate derivatives)
  - j. Securitized derivatives (other securitized derivatives)
  - k. Commodities derivatives and emission allowances derivatives (Other commodity derivatives and emission allowances derivatives)
  - l. Exchange traded products (Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Commodities)
  - m. Other instruments

## Annex 1: Definitions

<b>Aggressive Order</b>	‘Aggressive order’ means an order entered into the order book that took liquidity.
<b>Broker</b>	Means street-side counterparties or intermediary through which Credit Suisse executes or transmits orders.
<b>Client Order</b>	Client Order is a verbal, electronic (e.g. Bloomberg, FIX) or written agreement to execute a transaction on behalf of a client regardless of whether Credit Suisse is acting in a principal, riskless principal or agency capacity in any of the Financial Instruments listed in Schedule 1 of the Credit Suisse Best Execution Policy.
<b>Directed Order</b>	‘Directed order’ means an order where a specific execution venue was specified by the client prior to the execution of the order.
<b>Eligible Counterparty</b>	Eligible Counterparties are Investment Firms; credit institutions; insurance companies; UCITS and their management companies; pension funds and their management companies; other financial institutions authorized or regulated under community legislation or the national law of a Member State; undertakings exempted from the application of this Directive under Article 2(1)(k) and (l); national governments and their corresponding offices including public bodies that deal with public debt; central banks; and supranational organizations (Definition Directive 2004/39/EC, art. 24 (2)).
<b>Execution Venue</b>	Execution Venue refers to Regulated Markets, MTFs or OTFs and other liquidity providers or entities that perform a similar function.
<b>Investment Firm</b>	Investment Firm means any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis.
<b>MiFID II</b>	Markets in Financial Instruments Directive 2014/65/EU of 15 May 2014 (“MiFID II”).
<b>Passive Order</b>	‘Passive order’ means an order entered into the order book that provided liquidity
<b>Professional Client</b>	Professional Client means a client who possesses the experience, knowledge and expertise to be able to appropriately assess the risks associated with their own investment decisions (e.g. financial institutions, other authorized or regulated institutions, collective investment schemes and management companies of such schemes, pension funds, and other institutional investors). Retail Clients who fulfill two out of three criteria set up to demonstrate their knowledge and experience might also be considered Professional Clients upon their own request.
<b>Retail Client</b>	Retail Client means a client who is not a Professional Client.
<b>RTO</b>	RTO means the order handling process when Credit Suisse receives and transmits a client order to an intermediate Broker.
<b>Total Consideration</b>	Price of the Financial Instrument and the costs relating to execution, which shall include all expenses incurred by the client that are directly relating to the execution of the order, including Execution Venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.
<b>Trading Venue</b>	Trading Venue means any Regulated Market, MTF or OTF as defined under MiFID II.



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