

Jan-Dec 2017

# RTS 28 Execution Quality Report

## All Asset Classes

Unless stated otherwise, the following information relates to all asset classes included in Credit Suisse (UK) Limited's RTS 28 Top 5 Venue Reports. A full list of all asset classes traded can also be found on page 3.

### A. Explanation of the importance the firm 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 [Credit Suisse \(UK\) Limited \("CSUK"\) Order Execution and Allocation 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. For both Retail and Professional clients, CSUK will predominantly take the below execution factors into account in the following order of importance:

- 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 Credit Suisse'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 most orders, price and costs are likely to be the most important factors. However, we may, in our absolute discretion, decide that other factors listed above are more important and act accordingly. For example, likelihood of execution and settlement may take precedent for ETFs.

CSUK 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 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 CSUK's ability to continue to obtain the best possible result when executing client orders on a consistent basis, using the venues included in CSUK's Order Execution and Allocation Policy.

CSUK will predominantly consider (i) price of execution and (ii) cost of execution when monitoring trades to determine whether a firm is in compliance with its

Best Execution obligations in relation to the execution and transmission of Retail and Professional client orders. However, depending on the individual circumstance of each trade, other factors may be considered and CSUK does not focus solely on price and cost of execution. These are listed below:

- Speed of execution - the frequency at which prices change will depend on the instrument, market conditions and execution venues. The importance of the speed of execution will potentially be greater where the cost of adverse market movement is significant;
- Ease and likelihood of execution/settlement;
- Size of the order - this is considered in reference to price. Large order sizes may considerably affect the obtainable price;
- Nature of the order - the particular characteristic of the order will be relevant to how it is executed;
- Market impact and any other implicit transaction costs; and
- Any other consideration relevant to the efficient execution of the order.

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

CSUK 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. CSUK maintains a policy governing conflicts of interest which is applied to execution venues. The summary of our Global Conflicts of Interest

Policy is available at <https://www.credit-suisse.com/media/assets/private-banking/docs/uk/summary-conflicts-policy.pdf>

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: CSUK does not hold direct exchange membership 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 high touch dealers for orders that could not be executed directly on the AES platform. A small volume of orders were executed through Credit Suisse (Switzerland) Ltd. or a third party broker where CSSEL was either not a member of an exchange or a market maker in that stock.
- FX: traded exclusively via Credit Suisse AG through an integrated execution platform. Given the dynamics of the market it is not feasible to obtain 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: traded exclusively via Credit Suisse (Switzerland) Ltd. through an integrated execution platform. Where Credit Suisse (Switzerland) Ltd. is not member of an exchange we may route orders to an Associate or a third party, however this was not the case during the specified period.
- Money Market Instruments, Structured Finance Instruments and Funds were traded exclusively via Credit Suisse (Switzerland) Ltd. via our integrated execution platform.

In addition, a large volume of Exchange Traded Products were traded via Credit Suisse Securities (Europe) Limited via our integrated execution platform. The remainder of orders were routed to via third party brokers. We believe that through this set up Best Execution was achieved.

In order to ensure that this setup continues to benefit clients, CSUK 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 brokers / intermediaries will be chosen after due diligence that demonstrates that CSUK's criteria for Best Execution are guaranteed by the broker / intermediary on a consistent basis.

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

Credit Suisse (UK) Limited 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**

Credit Suisse (UK) Limited 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**

Per CSUK's Order Execution and Allocation Policy, Price and Costs (also known as “Total Consideration”) have prevailed for Retail clients.

Secondary execution factors have at times prevailed over Total Consideration for Professional clients. These factors have included:

- Speed of execution
- Likelihood of execution and settlement
- Size of the order
- Nature of the order
- Any other consideration

Whilst determining the relative importance of each executing factor, CSUK has taken the following criteria into account on a trade by trade basis:

- Market liquidity

- the characteristics of the client;
- the characteristics of the transaction;
- the characteristics of financial instruments that are the subject of the transaction; and
- the characteristics of the execution venues to which the transaction can be directed.

#### **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”) have always prevailed for Retail client orders. Where specific client instructions are received these would take precedent, however no such instructions were received during the specified period.

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# RTS 28 Assumptions, decisions and other considerations

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 common across all classes of financial instruments traded by Credit Suisse (UK) Limited, 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 flows in which Credit Suisse (UK) Limited 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 Credit Suisse (UK) Limited'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. For the purposes of producing this report, it has not been possible to distinguish between limit orders that are aggressive and those that are passive. Therefore, aggressive orders that take liquidity have been interpreted as market orders; and passive orders that provide liquidity as limit orders.
5. All OTC FX orders have been assumed to be market orders, and thus aggressive due to a lack of available data throughout calendar year 2017. OTC FX market orders have been found to constitute greater than 99% of total OTC FX flow during the calendar months that data was available. This is something Credit Suisse (UK) Limited will continue to monitor throughout 2018, the results of which should be published in April 2019.
6. No directed orders were received from clients during 2017.
7. Credit Suisse (UK) Limited trades in the following financial instrument classes:
  - a. Equities (shares & depositary receipts)
  - b. Debt instruments (bonds)
  - c. Debt instruments (money market instruments)
  - d. Currency derivatives (FX options)
  - e. Currency derivatives (swaps and forwards)
  - f. Structured finance instruments
  - g. Equity derivatives (options)
  - h. Securitised derivatives (warrants)
  - i. Exchange traded products (ETFs, ETNs and ETCs)