



Macquarie Bank Europe Designated Activity Company

MiFID II Best Execution: RTS 28 Disclosures

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1. Scope and Application

1.1 Purpose of this Report

This report has been prepared by Macquarie Bank Europe Designated Activity Company ('MBE') for the purposes of EU Commission Delegated Regulation (EU) 2017/576 ('RTS 28') that supplements EU Directive 2014/65/EU ('MiFID II') which sets out regulatory technical standards for the annual publication by MiFID II investment firms of information on the identity of execution venues and on the quality of execution.

This report has been prepared to enable clients to evaluate the quality of MBE's execution practices and to identify the top five execution venues in terms of trading volumes where investment firms executed client orders in the preceding year.

1.2 Entities in Scope

This document applies to MBE, being a credit institution authorised and regulated by the Central Bank of Ireland ("CBI") (firm reference number 634817). This document should be read in conjunction with the "CGM and MacCap EMEA Order and Best Execution Policy" which may be viewed at:

<https://macquariegroup.sharepoint.com/sites/Macnet-CGM/Shared%20Documents/CGM-EMEA-Order-and-Best-Execution-Policy.pdf>

1.3 Activities in Scope

The document sets out the Top 5 venues by instrument type utilised for the execution of client orders in financial instruments where MBE has agreed to execute, and where it has categorised a client as a professional client (as that term is defined in MiFID II) and has an obligation of best execution to the client pursuant to article 27 of MiFID II.

MBE does not execute client orders for retail clients.

The table below identifies the class of financial instruments in respect of which MBE executed client orders for professional clients during the period.

#	Class of Financial Instruments	Customer Orders executed by MBE?	MBE in scope for 'Top 5' Execution Venue Report?
1	Commodities derivatives and emission allowances derivatives	Yes	Yes
2	Currency derivatives	Yes	Yes
3	Equity Derivatives	Yes	Yes
4	Interest rates derivatives	Yes	Yes

2. Top 5 Venues by Class of Financial Instrument

2.1 Commodity Derivatives and Emission Allowance Derivatives

Listed Instruments

MBE provides direct electronic access ('DEA') for customers trading listed Commodity Derivatives and European Emission Allowance ('EUAs') Derivatives on EU venues.

Class of Instrument	Commodity Derivatives and Emission Allowance Derivatives (Options and Futures admitted to trading on a trading venue)				
	No				
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 that class	Percentage of Passive Orders	Percentage of Aggressive Orders	Percentage of directed orders
European Energy Exchange - Regulated Gas Market (MIC Code: XPSF)	77.60%	67.30%	24.60%	75.40%	100%
European Energy Exchange - Regulated Market (MIC Code: XEER)	16.00%	27.60%	49.80%	49.00%	100%
European Energy Exchange - (MIC Code: XEEE)	6.20%	2.80%	34.40%	65.60%	100%
NASDAQ Commodities - NOK Power/Energy (MIC Code: ELNO)	0.20%	2.30%	0.00%	0.00%	100%

Execution Factors

The majority of MBE client orders are executed via DEA where customers select the order execution parameters themselves.

When execution is routed via one of Macquarie Futures execution desks, this occurs on a reverse solicitation basis with strict monitoring and controls in place. The primary consideration for discretionary orders is price, followed by the likelihood of execution.

It should be noted there is limited fragmentation of liquidity in the Exchange Traded Derivatives markets on which MBE executes customer orders. For example, a customer order for a European Energy Exchange or Nasdaq Commodities listed contract can only be executed on the relevant exchange. The customer cannot opt to have it executed on another exchange where there is no listing and no liquidity.

Execution of Block Orders

Block Trades are executed at the specific request of customers. There are multiple considerations in block trade price discovery and execution:

- MBE would only ever look for a block price with explicit permission and instruction from a client.
- Block trading rules and regulation vary slightly between exchanges and our execution team would use their experience and knowledge of exchange rules to ensure any trade is compliant. The exchange rules will dictate minimum/maximum block quantities and low/high block price parameters.
- To ensure best execution we would always try, where possible, to request pricing from multiple counterparties in order to establish a best bid/offer block market.
- Once the block trade has been agreed by both parties, the relevant exchange rules would be followed when posting. For example, any time restrictions that a block needs to be posted in otherwise the trade would need to be agreed and approved again.

Over-the-Counter ('OTC') Commodity Derivatives and EUAs

For the reporting period, MBE acted as Other Liquidity Provider ('OLP') for OTC Commodity Derivatives and EUA Derivatives. MBE trades bilaterally with customers in these instruments and does not execute customer orders on venues.

Class of Instrument	Commodities Derivatives and Emission Allowances Derivatives (Over the Counter)		
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 that class	Percentage of directed orders
Macquarie Bank Europe	100%	100%	Not Applicable

2.2 Currency Derivatives

MBE acts as an OLP for OTC Currency Derivatives. MBE trades bilaterally with customers in these instruments and does not execute customer orders on venues.

Class of Instrument	Currency Derivatives (Over the Counter)		
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 that class	Percentage of directed orders
Macquarie Bank Europe	100%	100%	Not Applicable

2.3 Equity Derivatives

Listed Instruments

MBE provides execution services and DEA for customers trading listed Equity Derivatives on EU venues and other investment exchanges.

Class of Instrument	Equity Derivatives (Options and Futures admitted to trading on a trading venue)				
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 that class	Percentage of Passive Orders	Percentage of Aggressive Orders	Percentage of directed orders
Eurex Deutschland (MIC Code: XEUR)	100%	100%	42.20%	57.80%	100%

Execution Factors

The majority of MBE client orders are executed via DEA where customers select the order execution parameters themselves.

When execution is routed via one of Macquarie Futures execution desks, this occurs on a reverse solicitation basis with strict monitoring and controls in place. The primary consideration for discretionary orders is price, followed by the likelihood of execution.

Execution of Block Orders

Block Trades are executed at the specific request of customers. There are multiple considerations in block trade price discovery and execution:

- MBE would only ever look for a block price with explicit permission and instruction from a client.
- Block trading rules and regulation vary slightly between exchanges and our execution team would use their experience and knowledge of exchange rules to ensure any trade is compliant. The exchange rules will dictate minimum/maximum block quantities and low/high block price parameters.
- To ensure best execution we would always try, where possible, to request pricing from multiple counterparties in order to establish a best bid/offer block market.
- Once the block trade has been agreed by both parties, the relevant exchange rules would be followed when posting. For example, any time restrictions that a block needs to be posted in otherwise the trade would need to be agreed and approved again.

2.4 Interest Rate Derivatives

Listed Instruments

MBE provides execution services and DEA for customers trading listed Interest Rate Derivatives on EU venues and other investment exchanges.

Class of Instrument	Interest Rate Derivatives (Options and Futures admitted to trading on a trading venue)				
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 that class	Percentage of Passive Orders	Percentage of Aggressive Orders	Percentage of directed orders
Eurex Deutschland (MIC Code: XEUR)	100%	100%	53.00%	47.00%	100%

Execution Factors

The majority of MBE client orders are executed via DEA where customers select the order execution parameters themselves.

When execution is routed via one of Macquarie Futures execution desks, this occurs on a reverse solicitation basis with strict monitoring and controls in place. The primary consideration for discretionary orders is price, followed by the likelihood of execution.

It should be noted there is limited fragmentation of liquidity in the Exchange Traded Derivatives markets on which MBE executes customer orders. For example, a customer order for a European Energy Exchange or Nasdaq Commodities listed contract can only be executed on the relevant exchange. The customer cannot opt to have it executed on another exchange where there is no listing and no liquidity.

Execution of Block Orders

Block Trades are executed at the specific request of customers. There are multiple considerations in block trade price discovery and execution:

- MBE would only ever look for a block price with explicit permission and instruction from a client.
- Block trading rules and regulation vary slightly between exchanges and our execution team would use their experience and knowledge of exchange rules to ensure any trade is compliant. The exchange rules will dictate minimum/maximum block quantities and low/high block price parameters.
- To ensure best execution we would always try, where possible, to request pricing from multiple counterparties in order to establish a best bid/offer block market.
- Once the block trade has been agreed by both parties, the relevant exchange rules would be followed when posting. For example, any time restrictions that a block needs to be posted in otherwise the trade would need to be agreed and approved again.

OTC Interest Rate Derivatives

MBE acts as an OLP for Interest Rate Derivatives. MBE trades bilaterally with customers in these instruments and does not execute customer orders on venues.

Class of Instrument	Interest Rate Derivatives		
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 that class	Percentage of directed orders
Macquarie Bank Europe	100%	100%	Not Applicable

3. Execution Factors and Considerations for Determining Best Execution

The following summarises the MBE approach to best execution and should be read in conjunction with the “CGM and MacCap EMEA Order and Best Execution Policy”.

3.1 Best Execution Factors

MBE will consider a range of different factors (the “Execution Factors”) in deciding how to execute the order.

These include:

- price
- the cost of execution
- timing and speed of execution
- creditworthiness and financial stability
- the execution venue
- the likelihood of executing and settling the order (including the fill rate)
- the size of the order
- the characteristics of the financial instrument including whether it is executed on a regulated market, multi-lateral trading facility (MTF), organised trading facilities (OTF) or over-the-counter (OTC)
- the market impact of the order
- the characteristics of the execution venue to be used in respect of that financial instrument
- in certain circumstances willingness to commit capital
- any other factors that may be relevant to the execution of the order.

In determining the relative importance of the Execution Factors, MBE takes into account its client’s status as a Professional Client, together with the nature of the client’s orders (including where the order involves a securities financing transaction), the characteristics of the financial instruments to which the order relates and the characteristics of the available execution venues or brokers which can be used or to which client orders can be directed.

3.2 Eligible Counterparties

Orders from clients categorised as Eligible Counterparties by MBE are not subject to the best execution requirements. It is, however, still expected that consideration (around the “four-fold cumulative test”) is applied to this type of client. It is unlikely that Eligible Counterparties will place reliance on MBE. There may be circumstances where there is a regulatory requirement on MBE to ensure that clients in this category are provided with best execution.

The four-fold cumulative test:

1. which party initiates the transaction.
2. questions of market practice and the existence of a convention to 'shop around'.
3. the relative levels of price transparency within a market; and
4. the information provided by the firm and any agreement reached.

3.3 Client Instructions

Where the client provides MBE with a specific instruction as to the execution of an order (or part-order), MBE will execute the order (or part-order) in accordance with those specific instructions, and the best execution criteria will not be applied to those aspects of the execution in relation to the specific instruction.

Where the client provides MBE with a specific instruction, for example block orders (refer to block orders within the above section) as to the execution of an order (or part-order), MBE will execute the order (or part-order) in accordance with those specific instructions, and the best execution criteria will not be applied to those aspects of the execution in relation to the specific instruction.

3.4 Quote Based Orders and Trades

For Quote Based trades, MBE will apply the four-fold cumulative test referenced in 3.2 to determine whether the order should be subject to requiring best execution obligations.

3.5 Payments received from execution venues and brokers

MBE does not receive payments from execution venues and brokers.

4. Monitoring and Assessment of Best Execution

4.1 Best Execution Assessment Criteria

In the absence of express instructions from the client, MBE will exercise its discretion in determining the Execution Factors (and the relative importance thereof) that MBE needs to consider for the purpose of providing the client with best execution, based on MBE's experience and in light of the available market information at the relevant time.

Generally, the highest priority is placed on price. From time to time, MBE may also prioritise other Execution Factors such as the impact on market prices of displaying and executing the order and the availability of price improvement, or the speed and likelihood of execution (e.g. fill rate) and settlement. Therefore, in consideration of various circumstances that may arise, transactions may not always be executed at the best available price.

There may also be occasions where MBE prioritises other Execution Factors including the nature of the order, the characteristics of the financial instruments that are subject to that order and the characteristics of the venue to which that order can be directed.

5. Close Links and Common Ownerships of Trading Venues and Conflicts of Interest

5.1 Close Links and Common Ownership

MBE is a direct, wholly-owned subsidiary of Macquarie Bank Limited (“MBL”) and an indirect, wholly-owned subsidiary of Macquarie Group Limited (“MGL”). MGL has investments in the following entity:

- JB Drax Honoré

5.2 Conflicts of Interest

Please see the Macquarie Group Conflicts of Interest Summary Policy for further details.

<https://www.macquarie.com/assets/macq/about/disclosures/EMEA-Conflicts-of-Interest-summary-policy.pdf>

The introduction of Deals by MBE Staff to Macquarie Bank Limited & other Macquarie entities is governed by the relevant framework.

5.3 Contact Details

For further information, please contact: ComplianceCGM-Dublin@macquarie.com