



Macquarie Bank International Limited

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 International Limited ('MBIL') 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 MBIL'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 MBIL, being an investment firm authorised and regulated by the UK Financial Conduct Authority (firm reference number 471080) and regulated by the UK Prudential Regulation Authority. This document should be read in conjunction with the "Macquarie EMEA Order Execution Policy", and the "Order Execution Policy - Macquarie Infrastructure Debt Investment Solutions (MIDIS)."

The Macquarie EMEA Order Execution Policy may be viewed at:

<https://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/disclosures/docs/EMEA-Order-Execution-Policy.pdf?v=2>

The Order Execution Policy - Macquarie Infrastructure Debt Investment Solutions (MIDIS) may be viewed at:

<https://static.macquarie.com/dafiles/Internet/mgl/global/shared/corporate/asset-management/infrastructure/infrastructure-debt-investment/midis-order-execution-policy.pdf?v=2>

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 MBIL 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.

MBIL does not execute client orders for retail clients.

The table below identifies the class of financial instruments in respect of which MBIL executed client orders for professional clients during the period to which this report relates.

#	Class of Financial Instruments	Professional Customer Orders executed by MBIL?	MBIL in scope for 'Top 5' Execution Venue Report?
1	Commodities derivatives and emission allowances derivatives	Yes	Yes
2	Currency derivatives	Yes	Yes
3	Debt Instruments	Yes	Yes
4	Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)	Yes	Yes
5	Interest rates derivatives	Yes	Yes

2. Top 5 Venues by Class of Financial Instrument

2.1 Commodity Derivatives and Emission Allowance Derivatives

For the reporting period, MBIL acted as a Liquidity Provider ('OLP') for Over-the-Counter Commodity Derivatives and Emission Allowance Derivatives. MBIL trades bilaterally with customers in these instruments and does not execute customer orders on venues.

Class of Instrument	Commodities Derivatives and Emission Allowances 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 International Limited	100%	100%	Not Applicable

2.2 Currency Derivatives

MBIL acts as an OLP for Over-the-Counter Currency Derivatives. MBIL trades bilaterally with customers in these instruments and does not execute customer orders on venues. MBIL arranged currency derivative transactions for a small number of fund customers with the affiliate Macquarie Bank Limited during the reporting period.

Class of Instrument	Currency 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 International Limited	98.16%	>99%	Not Applicable
Macquarie Bank Limited (MIC Code: MAQU)	1.84%	<1%	Not Applicable

2.3 Debt Instruments

MBIL acts in its capacity as portfolio manager on behalf of fund and separately managed account clients for the execution of professional customer orders in Debt Instruments.

Class of Instrument	Debt instruments (bonds)		
Notification if <1 average trade per business day in the previous year	Yes		
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
Frankfurt Frieverkehr (MIC Code: FRAB)	61%	50%	100%

Frankfurt Stock Exchange (MIC Code: FRAA)	25%	25%	100%
Wiener Borse Third Market (Multilateral Trading Facility, MIC Code: WBDM)	14%	25%	100%

2.3.1 Execution factors

Due to the private placement nature of the listed bond, the corporate borrower chooses the trading venue they place their bonds on and therefore the only factor in execution is availability.

2.4 Exchange Traded Products

MBIL provides execution services and direct electronic access (DEA) for customers trading listed derivatives on EU venues and other investment exchanges. For EU Venues, MBIL routes all customer orders for execution via the affiliate Macquarie Bank Limited London Branch ('MBL LB'). Where MBL LB is not an executing member of that venue, orders will be routed via MBL LB third party broker relationships. MBL LB has executing memberships of EEX, Eurex, ICE Futures Europe and the London Metal Exchange ('LME').

Class of Instrument	Exchange Traded Products				
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
Macquarie Bank Limited London Branch (MIC Code: MAQU)	100%	100%	Data not available for the period		100%

2.4.1 Execution Factors

Subject to the relevant legal and regulatory obligations, MBL LB will route orders to the venue as directed by the client's specific instructions.

The majority of the orders executed are via DEA where customers select the order execution venue and manage the order parameters directly themselves.

Where customers give Macquarie discretion in the management of their order, the primary consideration for execution will be price, followed by the likelihood of execution.

It should be noted that all orders are directed as there is limited fragmentation of liquidity in the Exchange Traded Derivatives markets on which Macquarie executes customer orders. In practice this means that for example, a customer order for a LME listed contract can only be executed on that exchange. The customer cannot opt to have it executed on another exchange where there is no listing and no liquidity such as Eurex or ICE Futures Europe.

2.4.2 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:

- A block price is only ever sought with clear 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.

2.4.3 Passive Vs Aggressive Orders

The source data is incomplete and publication would not provide a meaningful measure. We expect this to be published in subsequent reports.

2.5 Interest Rate Derivatives

MBIL acts as an OLP for Interest Rate Derivatives. MBIL 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 International Limited	100%	100%	Not Applicable

3. Execution Factors and Considerations for Determining Best Execution

The following summarises the MBIL approach to best execution and should be read in conjunction with the “Macquarie Order Execution Policy”.

3.1 Execution Factors

MBIL will take into account 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; and
- any other factors that may be relevant to the execution of the order.

In determining the relative importance of the Execution Factors, MBIL 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 MBIL 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 but in reality it is unlikely that Eligible Counterparties will place reliance on MBIL. There may be circumstances where there is a regulatory requirement on MBIL 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 MBIL with a specific instruction as to the execution of an order (or part-order), MBIL 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, MBIL 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

MBIL 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, MBIL will exercise its discretion in determining the Execution Factors (and the relative importance thereof) that MBIL needs to take into account for the purpose of providing the client with best execution, based on MBIL'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, MBIL 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 MBIL 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.

4.2 Monitoring and Oversight of Best Execution

MBIL Business Management has responsibility for the review and monitoring of execution and pricing provided to customers by their business units.

MBIL has established Best Execution Committees ("BECs") in order to ensure a strong governance framework around best execution. The BECs are represented by senior management, relevant desk heads, BORMS and Compliance, and meetings are held periodically. The BECs are responsible for reviewing new and existing broker relationships and, reviewing front-office monitoring results.

Monitoring is conducted through a combination of internally developed TCA reporting, vendor solutions and self-assessment reporting. The monitoring mechanisms are currently under review and enhancement to ensure compliance with best practice.

No issues of note were identified in the reporting period.

Please see the Macquarie EMEA Order Execution Policy for further details of the operation of the BECs.

5. Close Links and common ownerships of trading venues and Conflicts of Interest

5.1 Close Links and Common Ownership

The Macquarie Group Limited has investments in the following entities:

- JB Drax Honoré
- Berkley Futures Limited
- Intercontinental Exchange

5.2 Conflicts of Interest

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

Link to Macquarie Group Conflicts of Interest Policy:

<https://static.macquarie.com/dafiles/Internet/mgl/global/shared/about/disclosures/docs/EMEA-Conflicts-of-Interest-summary-policy.pdf?v=2>

Contact Details

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