

Best Execution RTS 28 (Top 5 venues and quality of Execution) Best Efforts report

This report has been prepared by Daiwa Capital Market Deutschland GmbH, located at Neue Mainzer Straße 1, 60311 Frankfurt am Main, Germany, (hereinafter referred to as “**DCMD**”) for the period ending 31 December 2020 (the “Reporting Period”) for the purposes of meeting its regulatory obligations under Commission Delegated Regulation (EU) 2017/576 (“MiFID II”) which requires DCMD to annually publish:

- (i) the top five venues where it executed clients orders; and
- (ii) the top five firms to whom it transmitted or placed client orders for execution, in respect of each class of financial instruments noted below.

This report also provides information on DCMD’s assessment of the quality of execution it obtained from these execution venues and firms (based on its internal monitoring) for each class of financial instruments.

Please note that information for the Reporting Period has been collated based on the regulatory obligations that applied to DCMD, its affiliates, brokers and execution venues during that time.

In respect of DCMD and other financial institutions to whom MiFID II applies, those regulatory obligations were different to those that apply to them now and pursuant to which this report has been prepared.

Consequently, there are certain sections in this report for which information required under MiFID II for the Reporting Period

- (i) was not available;
- (ii) was only available partly;
- (iii) was available in a different format.

Eligible Counterparties have been considered as Professional Clients for the purpose of this report.

The assumptions and available information used to prepare this report may result in inconsistencies in information across asset classes presented herein and therefore, may not accurately reflect the trading activities undertaken by DCMD during 2020.

Please also note that the assumptions and methodologies used to produce this report may not be used for the preparation of future reports.

DCMD does not guarantee the correctness or completeness of the information in this report and shall not be responsible for or have any liability whatsoever for any loss or damage caused by errors, inaccuracies or omissions in connection with use or reliance on this information.

DCMD has a degree of discretion in how to apply the different execution factors and this may result in a range of different permissible approaches to executing client orders. For further information on DCMD's best execution arrangements please refer to the relevant summaries that are available at:

<https://www.de.daiwacm.com/policies/?lang=en>

Regarding the quality of execution, RTS 28 requires DCMD to publish for each class of financial instruments, a summary of the analysis and conclusions drawn from its detailed monitoring of the quality of execution obtained on the execution venues where it executed all client orders in the previous year. The information shall include:

- (a) an explanation of the relative importance the firm 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;
- (b) a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;
- (c) a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;
- (d) an 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;
- (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;
- (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;
- (g) an explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Commission Delegated Regulation (EU) 2017/575;
- (h) where applicable, an explanation of how the investment firm has used output of a consolidated tape provider authorised in accordance with the Data Reporting Services Regulations 2017.

SECTION N./ EXECUTION REPORTS

SECTION N.1: FIXED INCOME

Fixed Income Business

Class of instrument: Debt Instruments: Bonds						
Notification if < 1 average trade per business day in the previous year: N						
Top five execution venues ranked in terms of trading volumes (descending order)						
Rank	Venue Name & MIC	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive order	Percentage of directed order
1	Daiwa Capital Markets Europe Limited –OTC MIC – XOFF	78.46%	3.23%	N/A	N/A	N/A
2	Bloomberg Trading Facility BV MIC – BTFE	6.96 %	9.41%	N/A	N/A	N/A
3	Tradeweb EU BV – MTF MIC – TWEM	6.00%	5.29%	N/A	N/A	N/A
4	Tradeweb Europe Limited MIC – TREU	4.54%	1.70%	N/A	N/A	N/A
5	Bloomberg Trading Facility Limited MIC – BMTF	4.01%	73.05 %	N/A	N/A	N/A

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SECTION N.1.1: FIXED INCOME. Explanation of relative importance given to execution factors.

Typically, where DCMD is working an order, the client gives a specific instruction in relation to the price/yield and time leaving no discretion to DCMD. As such, for these aspects DCMD fulfils its obligation by following the client's instruction to the letter. Also, where the client specifies the prioritised execution factors, DCMD follows any such instructions.

Should there be any remaining residual discretion, DCMD will generally consider the relative importance of the execution factors to be as follows:

1. Price
2. Speed
3. Size
4. Likelihood of execution
5. Cost
6. Other consideration relevant to the execution

However, where the bond is illiquid, DCMD may consider the order to be as follows instead:

1. Likelihood of execution
2. Size
3. Price
4. Cost
5. Speed
6. Other considerations relevant to the execution

SECTION N.1.2: FIXED INCOME. Description of links, conflicts and common ownership.

DCMD is a 100% owned subsidiary of Daiwa Capital Markets Europe Limited belonging to Daiwa Securities Group Inc. which is listed on Tokyo Stock Exchange.

DCMD may pass orders to affiliates in the same group of entities.

On the occasion that DCMD is left an order with discretion and where execution involves the transmission of orders to its affiliates, DCMD would monitor results to ensure the same duty of care is applied to orders and that the selected executing parties act in accordance with DCMD's client's best interests.

DCMD maintains appropriate policies governing conflicts of interest with respect to execution venues through our Conflicts of Interest Policy and Order Execution Policy.

Summaries can be found at: <https://www.de.daiwacm.com/policies/?lang=en>

SECTION N.1.3: FIXED INCOME. Description of specific arrangements.

Spreads achieved by DCMD may be shared with its group affiliated entities.

SECTION N.1.4: FIXED INCOME. Changes in execution venues.

From time to time DCMD may change the execution venues that it faces; in such instance, changes are made further to its business requirements and the interests of its clients.

SECTION N.1.5: FIXED INCOME. Client categorisation.

DCMD serves only Professional Clients and Eligible Counterparties; DCMD does not treat clients differently for these purposes based solely on their client categorisation.

SECTION N.1.6: FIXED INCOME. Retail.

DCMD does not support retail clients.

SECTION N.1.7: FIXED INCOME. Data or tools.

Monitoring the effectiveness of the order execution principles as well as providing guidance on best execution regulatory requirements is performed periodically for all European execution activity by Daiwa Capital Markets Europe Limited.

SECTION N.1.8: FIXED INCOME. Consolidated tape provider.

Not applicable

SECTION N.2: INTERNATIONAL CONVERTIBLE BONDS

International Convertible Bonds Business

Class of instrument : Debt Instruments, Bonds						
Notification if < 1 average trade per business day in the previous year: N						
Top five execution venues ranked in terms of trading volumes (descending order) *						
Rank	Venue Name & MIC	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive order	Percentage of directed order
1	Daiwa Capital Markets Europe Limited – OTC MIC - XOFF	92.45%	82.63%	N/A	N/A	N/A
2	Daiwa Capital Markets Europe Ltd MIC - DAIW	7.29%	15.57%	N/A	N/A	N/A
3	Tradeweb Europe Ltd MIC - TREU	0.26%	1.8%	N/A	N/A	N/A

The rationale underpinning the RTS28 report requirements here follow that of fixed income (set out above under Section N.1).

SECTION N.3: EQUITIES

Equity Business

Class of instrument: Shares and Depository receipts						
Notification if < 1 average trade per business day in the previous year: N						
Top five execution venues ranked in terms of trading volumes (descending order)						
Rank	Venue Name & LEI	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive order	Percentage of directed order
1	Daiwa Capital Markets Europe Ltd MIM2K09LFYD4IB163W58	100%	100%	N/A	N/A	N/A

Class of instrument: Exchange Traded Products						
Notification if < 1 average trade per business day in the previous year: N						
Top five execution venues ranked in terms of trading volumes (descending order) *						
Rank	Venue Name	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive order	Percentage of directed order
1	Daiwa Capital Markets Europe Ltd MIM2K09LFYD4IB163W58	100%	100%	N/A	N/A	N/A

SECTION N.3.1: EQUITIES. Explanation of relative importance given to execution factors.

DCMD consider the following factors when executing orders. Each factor will vary in importance depending on the characteristics of the order in question. It is important to recognise that we endeavour to measure Best Execution over the duration of the whole order, not necessarily on a tick by tick basis or even, in the case of multiple day orders, a day by day basis. In general, this is how we approach each factor:

1. **Likelihood of Execution and Settlement** – uncertainty in the areas of execution and settlement is not acceptable in our view. Venues or counterparties that introduce this element of risk are either not used or used once such risks are explained to clients.
2. **Price** – on average, over the course of the order, compared to a suitable benchmark such as market volume weighted average price, last price or another reasonable benchmark chosen by the client.

3. **Costs**

Explicit costs – We do not vary our commission charges according to venue, only by geography. The predominance of trading on primary exchanges and requirement to report off market crosses on exchange mean explicit costs tend to be constant across venues.

Implicit costs – Result from how a trade is executed (immediately or worked over a period, in a block, or as child orders sent to multiple different execution venues).

In theory, a trade may appear more expensive in terms of explicit costs but may be less expensive when implicit costs are considered. For example if we work a large order over time, preserving the client's confidentiality and minimising market impact we may achieve the lowest total cost (and the best net price), The impact of implicit cost is difficult to quantify. As a result, ahead of a trade DCMD make a judgement about the likely implicit cost of an execution strategy and take all sufficient steps to manage them. For example if sweeping alternative venues for marginal price improvements results in only small-lot child orders printing but alerts the market to the larger order it is reasonable to ignore the small lot price improvements in the alternative venues for the greater good of the parent order.

4. **Speed** – A majority of Asian business is executed overnight in the region so speed from client to execution venue is interrupted given the time difference; we take the order and several hours later our chosen executing broker slices to the market.

Where orders are received in London morning time, for execution in markets immediately (that have not yet closed for the day), every attempt to transmit orders to our executing counterparties (and on to the market) promptly is made.

Equally, for business executed in the US (ETFs/ADRs/US listed Asian Issues) by our chosen broker, a similar attempt to transmit orders swiftly is made. For European orders where we face live markets, we place all orders via FIX to our execution brokers, hence speed is hardly differentiated by venues/brokers.

5. **Size** - Size of order versus size of liquidity available in the market needs to be considered to ensure market impact is appropriate and will not adversely impact the execution outcome.

6. **Nature of Order** - least impact, time constrained, any other factors such as time constraints and liquidity need also to be considered to ensure client's objectives are achieved.

Any specific client instruction that causes an order to deviate from our prescribed Best Execution Factors will be taken to have over-ridden our Best Execution Obligations. This includes but is not limited to the use of our Direct Market Access service.

SECTION N.3.2: EQUITIES. Description of links, conflicts and common ownership.

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DCMD may pass orders to affiliates in the same group of entities.

Where execution involves the transmission of orders to its affiliates and third parties, DCMD monitors results to ensure the same duty of care is applied to orders and that selected executing parties act in accordance with DCMD's client's best interest.

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SECTION N.3.3: EQUITIES. Description of specific arrangements.

Execution rates achieved by DCMD may be shared with its group affiliated entities.

SECTION N.3.4: EQUITIES. Changes in execution venues.

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SECTION N.3.6: EQUITIES. Retail.

DCMD does not support retail clients.

SECTION N.3.7: EQUITIES. Data or tools.

Monitoring the effectiveness of the order execution principles as well as providing guidance on best execution regulatory requirements is performed periodically for all European execution activity by Daiwa Capital Markets Europe Limited.

For cash equities, Transactional Cost Analysis “TCA” analytics is used for post-trade performance monitoring.

SECTION N.3.8: EQUITIES. Consolidated tape provider.

Not applicable