

2020 RTS 28 (MIFID II Regulatory Reporting)

2020

Heathcoat House
20 Savile Row
London W1S 3PR
United Kingdom
Tel: +44 207 292 6920

885 Third Avenue
24th Floor
New York, NY 10022
United States of America
Tel: +1 646 472 1800

6 Battery Road #40-02A
Six Battery Road
Singapore 049909
Singapore
Tel: +65 3158 0222

Suite 1403, Level 14,
20 Hunter Street,
Sydney NSW 2000
Australia
Tel: +61 2 8599 2132

Index Tower, Unit 403
Dubai International
Financial Centre
Dubai, United Arab Emirates
Tel: +971 5 0463 5370

RTS 28 Report for the period 1 January 2020 to 31 December 2020

In accordance with the requirements under Regulatory Technical Standard 28 ("RTS 28") of the updated Markets in Financial Instruments Directive ("MiFID II"), Colchester Global Investors Limited ("Colchester") is required, on an annual basis, to provide information regarding the top five execution venues it utilised to undertake transactions for individual classes of financial instruments ("Quantitative Report"), along with certain information pertaining to the quality of execution achieved ("Qualitative Report").

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)		Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class	% of passive orders	% of aggressive orders	% of directed orders
1	Citigroup Global Markets Limited Type: Counterparty XKZZ2JZF41MRHTR1V493	14.91%	12.54%	N/A	N/A	0.00%
2	J.P. Morgan Securities plc Type: Counterparty K6Q0W1PS1L1O4IQL9C32	13.89%	13.33%	N/A	N/A	0.00%
3	HSBC Bank Plc Type: Counterparty MP6I5ZYZBEU3UXPYFY54	10.74%	10.71%	N/A	N/A	0.00%
4	Nomura International PLC Type: Counterparty DGQCSV2PHVF7I2743539	9.53%	8.08%	N/A	N/A	0.00%
5	Deutsche Bank AG Type: Counterparty 7LTWFZYICNSX8D621K86	6.87%	4.90%	N/A	N/A	0.00%

Class of Instrument		Currency derivatives – Swaps and Forwards				
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)		Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class	% of passive orders	% of aggressive orders	% of directed orders
1	Citibank N.A. Type: Counterparty E57ODZWZ7FF32TWEFA76	35.45%	18.93%	N/A	N/A	0.00%
2	J.P. Morgan Securities PLC Type: Counterparty K6Q0W1PS1L1O4IQL9C32	25.32%	32.81%	N/A	N/A	2.30%
3	The Northern Trust Company Type: Counterparty 6PTKHDJ8HDUF78PFWH30	24.93%	35.13%	N/A	N/A	4.03%
4	State Street Bank and Trust Company Type: Counterparty 571474TGEMMWANRLN572	5.81%	5.06%	N/A	N/A	86.83%
5	Brown Brothers Harriman Type: Counterparty 5493006KMX1VFTYPW14	3.02%	2.50%	N/A	N/A	0%

Class of Instrument		Interest Rate Derivatives – Swaps				
Notification if < 1 average trade per business day in the previous year		Y				
Top five execution venues ranked in terms of trading volumes (descending order)		Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class	% of passive orders	% of aggressive orders	% of directed orders
1	JP Morgan Chase Bank N.A. Type: Counterparty 7H6GLXDRUGQFU57RNE97	100.00%	100.00%	N/A	N/A	0.00%

Class of Instrument		Interest Rate Derivatives – Futures				
Notification if < 1 average trade per business day in the previous year		Y				
Top five execution venues ranked in terms of trading volumes (descending order)		Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class	% of passive orders	% of aggressive orders	% of directed orders
1	Barclays Bank Plc Type: Counterparty G5GSEF7VJP5I7OUK5573	65.85%	55.85%	0%	100%	0.00%
2	Citigroup Global Markets Limited Type: Counterparty XKZZ2JZF41MRHTR1V493	34.15%	44.15%	0%	100%	0.00%

Class of Instrument		Securities Financing Transactions - Repurchase Agreements (Repo & reverse repo)	
Notification if < 1 average trade per business day in the previous year		Y	
Top five execution venues ranked in terms of trading volumes (descending order)		Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class
1	J.P. Morgan Securities LLC Type: Counterparty ZBUT11V806EZRVTWT807	81.51%	70.95%
2	J.P. Morgan Securities plc Type: Counterparty K6Q0W1PS1L1O4IQL9C32	18.49%	29.05%

Explanatory notes

- For the purposes of this report, all of Colchester's clients are classified as 'Professional Clients' (under the FCA and equivalent definitions) thereby the top 5 venues report relates to this type of client only.
- In line with the ESMA Q&As, the top 5 entities have been provided at individual firm level and not aggregated or consolidated at the group level. For example, JP Morgan Chase Bank NA and JP Morgan Securities plc (individual firm level) as opposed to JP Morgan (group level). Please note, if Colchester compiled a report at group level, the results of the top 5 entities may vary.
- With the exception of futures trading, Colchester is of the view that the passive and aggressive distinction is only relevant where the trading venue in question maintains the type of order book that enables members of the trading venue to trade both passively and aggressively.
- With the exception of futures trading where orders are placed or transmitted for execution on an exchange, all other financial instruments are traded directly with trading venues, Multilateral Trading Facilities (MTF), Systematic Internalisers (SI) etc.
- A Directed Order is an order where a specific execution venue was specified by the client prior to execution of the order. For reference, some of Colchester's currency forward trading is directed.
- Although FX spot positions are out of scope for MiFID II, in line with regulatory guidance the spot leg of the in-scope currency swap positions have been included in the formulation of the relevant tables

Qualitative Report on Execution

Introduction

This report has been prepared by Colchester Global Investors Limited ("Colchester") for the period from 1st January 2020 to 31st December 2020 for the purposes of meeting its regulatory obligations under Commission Delegated Regulation (EU) 2017/576 ("MiFID II") which requires Colchester to annually publish its assessment of the quality of execution it obtained from these execution venues.

Colchester has completed this report in line with its interpretation of ESMA guidance and in good faith, to the best of its capability, with data that was available at the time of publishing.

Colchester

Colchester is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA") as an Alternative Investment Fund Manager ("AIFM") under the EU Alternative Investment Fund Managers Directive. Colchester also has certain additional 'top-up' regulatory permissions under the Markets in Financial Instruments Directive in order to carry out portfolio management activities on behalf of its managed accounts business.

Scope

For the avoidance of doubt, Colchester's quantitative and qualitative disclosure report provides information on both its managed accounts and funds.

This disclosure covers the following classes of financial instruments that were traded during the review period:

- Debt Instruments - Bonds
- Currency derivatives - Swaps and Forwards
- Interest rate derivatives - Swaps
- Interest rate derivatives - Futures
- Securities financing transactions - Repurchase agreements (Repo & Reverse Repo)

(a) An explanation of the relative importance Colchester 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;

When deciding how and where best to execute an order, Colchester will take into consideration a range of factors including the following:

- Price and/or yield
- Size
- Speed
- Costs
- Likelihood of execution and settlement
- Any other considerations relevant to the execution of the order

When determining the relative importance of these execution factors, Colchester takes into consideration the characteristics of the order, the financial instrument and the execution venues available to that order. Generally, price will merit a high relative importance in obtaining the best execution. However, in some circumstances, Colchester may appropriately decide that other execution factors are more important than price.

Regulatory requirements provide that 'best execution' does not stipulate that Colchester achieve the best possible result with every trade, but that the focus should be on taking all sufficient steps for obtaining the best possible result in an overall consistent manner.

Investment decisions are implemented as soon as reasonably practicable (subject to the execution factors listed above).

Should Colchester determine that an order is large relative to the relevant market, that order may be executed over a longer period of time in consultation with the investment management team. Similarly, orders that are large relative to market trading size may be executed with a single counterparty and/or over a longer period of time if the dealing team determines that a better result may be obtained. Colchester does not use stop loss orders as part of its trading methodology.

(b) A description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;

Currency forward orders are executed on behalf of Colchester's commingled funds with an affiliate of the Depository of its Irish UCITS and with the Custodial Trustee of its US funds. Such dealings with this execution venue are undertaken in accordance with Colchester's Best Execution Policy.

Aside from the above, there are no close links, conflicts of interest or 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;

There are no 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;

Factors of price, the nature of the order and the markets led to one new broker being added and one broker being removed from Colchester's approved broker list during 2020. These changes provided further depth of coverage in new and existing markets in order to obtain more competitive pricing for Colchester's clients.

(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;

All clients are classified as Professional Clients as defined by the Financial Conduct Authority (FCA). Therefore, Colchester's order execution procedures do not differ across its client base.

(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;

Not applicable. Colchester does not trade for Retail Clients directly as defined by the FCA.

(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 Delegated Regulation (EU) 2017/575;

Colchester monitors quality of execution in a number of ways:

- Colchester's Dealing team review individual trades on execution to ensure rates obtained are in line with prevailing market rates in the circumstances of the particular trade, and to ensure that the execution venue performance matches expectations and market convention;
- Colchester's Counterparty Review Committee carries out quarterly and ad-hoc reviews of the execution quality of the execution venues used;
- Colchester has implemented an independent technology solution called BestX[®] FX Best Execution Analytics ("BestX[®]") to assist with its detailed monitoring of the quality of execution. The Dealing team reviews the quality of execution of currency forward trades using the data provided by the BestX Transaction Cost Analysis portal. The BestX[®] information is used to review the execution quality provided by Colchester's execution venues and modifications to the approved broker list are made accordingly.
- Monthly reviews of counterparty credit ratings are carried out to ensure minimum requirements continue to be met by identified execution venues.
- Trade execution reviews are completed by Colchester's Compliance team. These are retrospective reviews of trades on a sample basis which are carried out to provide independent assurance that execution and settlement is in accordance with Colchester's established policies and standards.

Additionally, under MiFID II Art 27(3) and Commission Delegated Regulation (EU) 2017/575 ("RTS 27"), execution venues (including trading venues, systematic internalisers, market makers and other liquidity providers) are required to publish a large range of information on execution quality on a quarterly basis. Colchester continues to review available reports under RTS 27 but finds that the information provided varies across counterparties and is therefore of limited use in its execution quality analysis. Colchester will continue to review this information on a quarterly basis and report any findings to the Counterparty Review Committee.

(h) Where applicable, an explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU.

Not applicable.