

# Annual Order Execution Report 2020



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## Introduction

This document sets out, for each class of financial instruments, information on the top five execution venues where Legal and General Investment Management International Ltd ('LGIMI') executed or placed client orders in the preceding year, as required by the Markets in Financial Instruments Directive (MIFID) 2014/65/EU.

Regulatory Technical Standard 28 ("RTS 28") of the Commission Delegated Regulation supplementing MIFID requires investment firms that execute client orders and select other firms to provide order execution services to summarise and make public, on an annual basis and for each class of financial instrument, the top five execution venues (in terms of trading volumes) where client orders were executed in the preceding year, as well as information obtained on the quality of execution.

The reports detail the top five venues where, for each class of financial instruments, LGIMI has executed orders (under RTS 28) and transmitted or placed orders with a broker for execution (under Delegated Regulation Article 65(6)) and details the assessment of execution quality. We have therefore provided, for each class of financial instruments, a summary of the analysis and conclusions we have drawn from monitoring the quality of execution on the execution venues. RTS 28 specifies the content and format of information on the top five execution venues in terms of trading volumes where client orders were executed in the preceding year and on the quality of execution.

## Trading Data

In its role of providing portfolio management services, LGIMI both executes client orders with execution venues and places client orders for execution with brokers.

**'Execution'** is where, as a member or participant in a regulated market, multi-lateral trading facility (MTF) or organised trading facility (OTF), LGIMI executes a client order directly on the execution venue. LGIMI may also execute orders with a Systematic Internaliser (SI), market maker or another liquidity provider on a request-for-quote basis. Where LGIMI matches liquidity internally without utilising an MTF or broker, this also constitutes executing a client order.

**'Placement'** is where LGIMI transmits an order to a broker for it to execute. In these circumstances the broker will choose the venue on which the order is ultimately executed or choose to execute it against its own book.

Some of our execution activity is conducted on electronic trading platforms, such as MarketAxess and Tradeweb. These platforms facilitate access to counterparties on a request for quote (RFQ) basis, which allows LGIMI either to obtain quotes from several counterparties, or to conduct process trades. For the purposes of this report we have elected to show the end counterparty we have traded against. We believe that provides a more accurate disclosure.

In addition, RTS 28 requires LGIMI to report on whether executions were passive, aggressive or directed. LGIMI does not trade on the order books of exchanges directly, therefore this is not applicable to us and we have not included this information in our reports. Whilst our clients do not direct trades to specific execution venues, clients may tie execution to a specific counterparty. For example in foreign exchange, execution can sometimes be tied to the custodian, depending on the currency. The overall impact of this activity is negligible and is not included in our top 5 broker reports.

## Disclosures

We are required to disclose the following information in relation to our trading activities:

- LGIMI does not have any close links, conflict of interests, and common ownerships with respect to any execution venues used to execute orders. LGIMI has dealing services arrangements in place with affiliated asset management companies in the US and Asia. No commission is charged to clients with the arrangement operating on a cost recovery basis between the firms. For further information on our conflict of interest, see section 16 of our Execution Policy.
- LGIMI does not have any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.
- Our order execution does not differ according to client categorisation. LGIMI provides services to professional clients only.
- LGIMI uses external and internal data sources to compile TCA and inform the trading process

## Top 5 Execution Reports

The following reports provide a qualitative description of our trading activity relating to our top 5 venues and brokers used during 2020 according to the following instrument type as specified in RTS 28.

### Equities – shares and depositary receipts (placement)

Ranked based of trading volumes	Brokers	LEI	Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class
<b>Liquidity Band 1 &amp; 2</b>				
<b>Notification if &lt;1 average trade per business day in previous year</b>		No		
1	Citigroup Global Markets Ltd	XKZZ2JZF41MRHTR1V493	89%	71%
2	Credit Suisse Securities Europe Ltd	DL6FFRRLF74S01HE2M14	7.6%	20.3%
3	Goldman Sachs International	W22LROWP2IHZNBB6K528	1.8%	4%
4	JP Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	1.6%	3.4%
5	Morgan Stanley & Co International PLC	4PQUHN3JPFQFNF3BB653	0.1%	1.3%
<b>Liquidity Band 3 &amp; 4</b>				
1	N/A	N/A	N/A	N/A
2	N/A	N/A	N/A	N/A
3	N/A	N/A	N/A	N/A

4	N/A	N/A	N/A	N/A
5	N/A	N/A	N/A	N/A

**Liquidity Band 5 & 6**

Notification if <1 average trade per business day in previous year		No		
1	JP Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	26.5%	17.5%
2	Morgan Stanley & Co International PLC	4PQUHN3JPFGFNF3BB653	19.5%	25.5%
3	Citigroup Global Markets Ltd	XKZZ2JZF41MRHTR1V493	18.3%	18%
4	Goldman Sachs International	W22LROWP2IHZNBB6K528	17.8%	12%
5	UBS AG	BFM8T61CT2L1QCEMIK50	7.4%	9.8%

LGIMI does not execute equity trades on trading venues.

When trading, the decision process begins by deciding how and where best to execute an order. We do this by taking into consideration a range of factors including price, cost, speed, likelihood of execution and settlement, size & nature - for a further explanation of these factors please see our 2021 Execution Policy. The importance of each factor may change depending on the nature or characteristics of the trade and/or prevailing market conditions, for example speed may be prioritised in a period of heightened market volatility.

When reviewing the counterparties versus 2019 we have some differences, where in liquidity band 1&2 we saw BAML make way for Credit Suisse and in liquidity band 5&6 we saw Credit Suisse, Exane & BAML make way for JP Morgan, Goldman Sachs & UBS.

There were no specific changes to the factors which led to our choice of venue to execute versus 2019 in spite of the variation in constituents in each band. Our Execution Policy lists the counterparties with whom we execute the majority of our business; this list consists of 23 brokers. There have been no significant changes to this list since 2019. While there are 23 counterparties highlighted in this list, it is worth noting that there are additional counterparties with whom we can execute and have trading agreements with, for example we have regional specialist brokers to source liquidity from on a less frequent basis should we require.

We have an in house Trading Research & Analysis team whose primary role is to collate all of our trading data in order for us to monitor our equity trading performance. We utilise our own database as well as a third party provider to do this. TCA is conducted on an on-going basis by the team while additionally there is an Execution Oversight Committee that meets on a quarterly basis with the primary objective to evaluate execution quality for the previous quarter. On this committee sits members from trading, compliance and investment oversight.

**Currency derivatives – swaps, forwards and other interest rates derivatives (execution)**

Ranked based of trading volumes	Trading Venues	LEI	Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class
Notification if <1 average trade per business day in previous year		No		
1	JP Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	38%	10.8%

2	<b>Goldman Sachs International</b>	W22LROWP2IHZNBB6K528	24%	9.6%
3	<b>Morgan Stanley &amp; Co International PLC</b>	4PQUHN3JPFGFNF3BB653	13.5%	9.1%
4	<b>HSBC Bank PLC</b>	MP6I5ZYZBEU3UXPYFY54	11.1%	32%
5	<b>Merrill Lynch International</b>	GGDZP1UYGU9STUHRDP48	5%	8.2%

When trading, the decision process begins by deciding how and where best to execute an order. We do this by taking into consideration a range of factors including price, cost, speed, likelihood of execution and settlement, size & nature - for a further explanation of these factors please see our 2021 Execution Policy. The importance of each factor may change depending on the nature or characteristics of the trade and/or prevailing market conditions, for example likelihood of settlement may be prioritised higher on an OTC FX trade.

The above data includes all FX transactions inclusive of forwards, non-deliverable forwards & swaps and the figures combine both orders that were executed via an algorithm and via a competitive Request For Quote (RFQ). The Top 5 accounts for over 90% of the activity, which is in line with 2019 however there are minor changes in constituents as well as positioning changes. We saw Citigroup depart from the Top 5 to make way for Morgan Stanley who moved into 3rd position and most notably we saw JP Morgan move into 1st position from 2nd while HSBC moved from 3rd into 4th. Typically, price is the most important factor during the execution process however as noted above likelihood of settlement may be considered during an OTC trade while also it is important to note that when trading on an OTC basis, fund documentation becomes an additional factor to consider as it may increase or reduce the number of counterparties with whom the fund can trade with.

There were no specific changes to the factors which led to our choice of venue to execute versus 2019 and this can be evidenced through the general lack of variation in constituents. Our Execution Policy lists the counterparties with whom we execute the majority of our business; this list consists of 18 brokers. There have been no significant changes to this list since 2019.

We have an in house Trading Research & Analysis team whose primary role is to collate all of our trading data in order for us to monitor our FX trading performance. We utilise our own database as well as a third party provider to do this. TCA is conducted on an ongoing basis by the team while additionally there is an Execution Oversight Committee that meets on a quarterly basis with the primary objective to evaluate execution quality for the previous quarter. On this committee sits members from trading, compliance and investment oversight.

#### Equity derivatives – Options and futures admitted to trading on a trading venue (placement)

Ranked based on trading volumes	Trading Venues	LEI	Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class
Notification if <1 average trade per business day in previous year		No		
1	<b>JP Morgan Securities PLC</b>	K6Q0W1PS1L1O4IQL9C32	33%	28.5%
2	<b>Credit Suisse Securities Europe Ltd</b>	DL6FFRRL74S01HE2M14	31%	38%
3	<b>Morgan Stanley &amp; Co International PLC</b>	4PQUHN3JPFGFNF3BB653	11.8%	16.3%
4	<b>Goldman Sachs International</b>	W22LROWP2IHZNBB6K528	9.8%	5.6%
5	<b>Merrill Lynch International</b>	GGDZP1UYGU9STUHRDP48	8.6%	4.5%

When trading, the decision process begins by deciding how and where best to execute an order. We do this by taking into consideration a range of factors including price, cost, speed, likelihood of execution and settlement, size & nature - for a further explanation of these factors please see our 2021 Execution Policy. The importance of each factor may change depending on the nature or characteristics of the trade and/or prevailing market conditions, for example speed may be prioritised in a period of heightened market volatility.

The Top 5 constituents are the same panel as we had in 2019, showing we prioritised similar execution factors year on year. It is also worth noting that the above figures are inclusive of when futures contracts are rolled. We have an in house Trading Research & Analysis team whose primary role is to collate all of our trading data in order for us to monitor our equity derivatives trading performance. We utilise our own database as well as a third party provider to do this. TCA is conducted on an ongoing basis by the team while additionally there is an Execution Oversight Committee that meets on a quarterly basis with the primary objective to evaluate execution quality for the previous quarter. On this committee sits members from trading, compliance and investment oversight.

#### Other instruments – [Equities – Shares & Depositary Receipts No Banding] (placement)

Ranked based of trading volumes	Brokers	LEI	Proportion of volume traded as a % of total in that class	Proportion of orders executed as % of total in that class
Notification if <1 average trade per business day in previous year		No		
1	Credit Suisse Securities Europe Ltd	DL6FFRRLF74S01HE2M14	38%	30.5%
2	JP Morgan Securities PLC	K6Q0W1PS1L1O4IQL9C32	18.8%	15.3%
3	Citigroup Global Markets Ltd	XKZZ2JZF41MRHTR1V493	18.3%	21.8%
4	Goldman Sachs International	W22LROWP2IHZNBB6K528	13.3%	20.3%
5	Barclays Capital Securities Ltd	K9WDOH4D2PYBSLSOB484	4%	0.2%

When trading, the decision process begins by deciding how and where best to execute an order. We do this by taking into consideration a range of factors including price, cost, speed, likelihood of execution and settlement, size & nature - for a further explanation of these factors please see our 2021 Execution Policy. The importance of each factor may change depending on the nature or characteristics of the trade and/or prevailing market conditions, for example speed may be prioritised in a period of heightened market volatility.

There were some minor changes to the panel versus 2019 where BAML and Morgan Stanley exited the Top 5 while Credit Suisse moved into 1st position and Barclays moved into 5th position. There were no specific changes to the factors which led to our choice of venue to execute versus 2019 in spite of the changes we saw with the Top 5. Our Execution Policy lists the counterparties with whom we execute the majority of our business; this list consists of 23 brokers. There have been no significant changes to this list since 2019. While there are 23 counterparties highlighted in this list, it is worth noting that there are additional counterparties with whom we can execute and have trading agreements with, for example we have regional specialist brokers to source liquidity from on a less frequent basis should we require.

We have an in house Trading Research & Analysis team whose primary role is to collate all of our trading data in order for us to monitor our equity trading performance. We utilise our own database as well as a third party provider to do this. TCA is conducted on an ongoing basis by the team while additionally there is an Execution

Oversight Committee that meets on a quarterly basis with the primary objective to evaluate execution quality for the previous quarter. On this committee sits members from trading, compliance and investment oversight.



**Important Information**

The top 5 execution venues and brokers information contained in this document (the “**Information**”) has been prepared by Legal & General Investment Management International Limited (‘**LGIMI**’). It has been prepared based on our understanding of the second Markets in Financial Instruments Directive (‘**MiFID II**’), along with the Regulatory Technical Standards (‘**RTS**’) drafted by the European Securities and Markets Authority (‘**ESMA**’). The basis of the report will be subject to change if the RTS is updated by ESMA, it is important to note that such amendments could take place without pre-notification or consultation with either LGIMI or the recipients of this report.

The disclosure is produced in good faith using reasonable endeavours and is based on what we believe is objective data.

LGIMI is committed to providing this disclosure to both prospective and existing clients, where there is a regulatory requirement to do so. LGIMI does reserve the right to refrain from making this disclosure available where there is no explicit regulatory requirement to do so but will act in good faith to provide the disclosure on an elective basis where there is sufficient client demand. The provision of the information on an elective basis does not constitute an on-going contractual obligation on LGIMI.

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