

LGIMI Top 5 Execution Venues

April 2018

LGIM International Limited

Top 5 execution venues

This document sets out, for each class of financial instruments, information on the top five execution venues where LGIM International Limited ('LGIMI') executed or placed client orders in the preceding year, as required by the Markets in Financial Instruments Directive (MIFID) 2014/65/EU. This document applies only to clients classified by LGIMI as professional clients.

Regulatory Technical Standard 28 of the Commission Delegated Regulation supplementing MIFID requires investment firms that execute client orders 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.

Additionally, Delegated Regulation Article 65(6) requires investment firms that 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 investment firms (in terms of trading volumes) where client orders were placed for execution with brokers in the preceding year, as well as information obtained on the quality of execution.

EXECUTION AND PLACEMENT

In its role of providing portfolio management services, LGIMI both executes client orders with execution venues and places client orders for execution with brokers. The following description differentiates the two.

'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 filled or choose to execute it against its own book.

In both scenarios, LGIMI owes its clients best execution and takes all sufficient steps to consistently obtain the best possible result when executing or transmitting orders. For more detail about how we achieve this and a more extensive list of venues and brokers that we use, please refer to the LGIMI Best Execution Policy.

TOP 5 VENUE REPORTS

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)). The classes of financial instruments under MiFID are listed in Appendix 1. In addition RTS28 Article 3(2) states investment firms shall publish the top five execution venues in terms of trading volumes for all executed client orders in Securities Financing Transactions (SFTs).

LGIMI is also required to publish an assessment of execution quality on all execution venues. 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. As this is the first annual report, some data may not be available or may not apply at all:

- All equities, including non-EU equities, have been aggregated in one table given the lack of data on the MiFID II tick size regime
- LGIMI does not have information on the proportion of passive and aggressive orders executed on execution venues, as this detailed information has not been collected under our existing MiFID best execution obligations
- LGIMI does not include any information on directed orders as the choice of execution venue is at the discretion of LGIMI as set out under our best execution policy

INFORMATION TO CLIENTS

The reports include, for each class of financial instruments, a summary of the analysis and conclusions LGIMI has drawn from our detailed monitoring of the execution quality obtained on the execution venues where all client orders were executed in the previous year as required by Article 3(3) of RTS 28. The following information is standard to all classes of financial instruments:

USE OF AFFILIATES

The Firm does not make use of any affiliates.

COUNTERPARTY SELECTION PROCESS

As a large institution, we deal with most of the major broking houses, as well as specialist brokers in local markets. All counterparties must satisfy our credit, contractual and best execution standards to qualify for the list of approved brokers. Our counterparty oversight group is responsible for ensuring the list is monitored and reviewed at least bi-monthly. Greater frequency of the review is dependent on LGIMI's risk assessment of the counterparty. We do not have commission targets for brokers used. Broker selection is driven only by the quality and cost of execution. In the case of primary market transactions, counterparty selection will be limited to the broker who presents the opportunity.

COMMISSION SHARING ARRANGEMENTS

We do not utilise commission sharing accounts. All of our equity trading is executed at execution-only rates.

We do not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements.

DEALING EFFECTIVENESS MONITORING

The LGIMI Best Execution Committee (the committee) has oversight of the Best Execution Policy.

We monitor the effectiveness of the best execution arrangements and policies to identify and, where appropriate, correct any deficiencies. In particular, we will regularly assess whether the execution venues included in the Best Execution Policy provide the best possible result for the client or whether we need to make changes to our execution arrangements.

It is our normal practice to carry out post-trade analysis to monitor the quality of execution. Depending on the market this may involve systematic comparisons of execution prices with respect to trading benchmarks, opening/closing prices, or periodic high/low prices as appropriate. The analysis is carried out on a trade-by-trade basis where feasible. For equities and FX we use ITG's transaction cost analysis (TCA) services. Post trade analysis is not applicable to principal programme trades as the basis for the execution price and total transaction costs are established before the trade is carried out. Commissions paid on such trades normally reflect total transaction costs excluding any taxes/stamp duties.

In addition, we regularly monitor the persistency of the execution quality by analysing the time series of trade execution data broken down by market, counterparty, trade type and size. This enables us to identify, in a timely manner, deterioration in the quality of execution in any particular area.

We will be analysing the data required by RTS 27 (Delegated Regulation (EU) 2017/575) from our execution venues and Article 65 output from consolidated tape providers. We expect RTS 27 data to be available and able to be analysed from June 2018 although there are currently no consolidated tape providers in Europe. Where available, this will be used as part of our dealing effectiveness monitoring.

The committee receives dealing effectiveness monitoring reports and reviews whether enhancements to the policies and/or execution arrangements are required.

Equities – Shares and depositary receipts

This document sets out the top five execution venues where LGIM International Limited (LGIMI) executed or placed client orders in the preceding year in relation to dealings in equities – shares and depositary receipts. It is an appendix to the overarching LGIMI Top 5 Execution Venue summary.

LGIMI takes all sufficient steps to consistently obtain the best possible result for its clients, taking into account a range of execution factors. An explanation of the relative importance LGIMI gives to the execution factors of price, costs, speed, likelihood of execution and any other consideration including qualitative factors when assessing the quality of execution are detailed in the LGIMI Best Execution Policy.

Execution quality is a key driver in our counterparty selection. In order to measure the efficacy of our counterparties, LGIMI uses both in house and third party analysis tools. Much of the analysis is conducted at the parent level throughout the lifecycle of a trade (i.e. pre, intra and post trade). The Global Trading team analyses the post trade returns versus the explicit trading benchmark set by the portfolio manager, as well as multiple other benchmarks to ensure the outcome is of a high standard.

Analysis is conducted daily, and then on a monthly basis when the Best Execution Committee meets to review and scrutinise the aggregate execution quality, and also to review any outliers.

There was no change in the list of execution venues listed in the execution policy for the preceding year.

The figures for 'Internal Cross' are representative of internal inter fund transfers between the same legal entity. Market crosses will be reflected under the placement table.

TOP 5 VENUES (PLACEMENT)

Class of Instrument	Equities – Shares and depositary receipts	
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 percentage of total in that class
Credit Suisse Securities Europe Ltd LEI: DL6FFRRLF74S01HE2M14	27%	19%
Deutsche Bank AG LEI: 7LTFWZYICNSX8D621K86	23%	32%
Citigroup Global Markets Ltd LEI: XKZZ2JZF41MRHTR1V493	20%	21%
Instinet Europe Ltd LEI: 213800MXAKR2LA1VBM44	15%	12%
Exane SA LEI: 969500UP76J52A9OXU27	6%	3%

TOP 5 VENUES (EXECUTION)

Class of Instrument	Equities – Shares and depositary receipts	
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 percentage of total in that class
Internal Cross	0.6%	0.01%

Currency derivatives – Swaps, forwards, and other currency derivatives

This document sets out the top five execution venues where LGIM International Limited (LGIMI) executed or placed client orders in the preceding year in relation to dealings in currency derivatives – swaps, forwards, and other currency derivatives. It is an appendix to the overarching LGIMI Top 5 Execution Venue summary.

LGIMI takes all sufficient steps to consistently obtain the best possible result for its clients taking into account a range of execution factors. An explanation of the relative importance LGIMI gives to the execution factors of price, costs, speed, likelihood of execution and any other consideration including qualitative factors when assessing the quality of execution are detailed in the LGIMI Best Execution Policy.

Execution quality and risk provision are key drivers in our counterparty selection. In order to measure the efficacy of our counterparties, LGIMI uses both in house and third party analysis tools. The Global Trading team analyses execution quality against a number of parameters and benchmarks if relevant to that particular asset class.

Analysis is conducted daily, and then on a monthly basis when the Best Execution Committee meets to review and scrutinise the aggregate execution quality, and also to review any outliers.

There was no change in the list of execution venues listed in the execution policy for the preceding year.

TOP 5 VENUES (PLACEMENT)

Class of Instrument	Currency derivatives – Swaps, forwards, and other 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 percentage of total in that class
JP Morgan Securities PLC LEI: K6Q0W1PS1L1O4IQL9C32	2%	1%
Deutsche Bank AG LEI: 7LTFWZYICNSX8D621K86	1%	1%
Merrill Lynch International LEI: GGDZP1UYGU9STUHRDP48	1%	1%
Goldman Sachs International LEI: W22LROWP2IHZNBB6K528	1%	1%
Morgan Stanley & Co International PLC LEI: 4PQUHN3JPF GFNF3BB653	1%	1%

TOP 5 VENUES (EXECUTION)

Class of Instrument	Currency derivatives – Swaps, forwards, and other 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 percentage of total in that class
FXall MIC: TRAL	93%	96%

Equity derivatives – Options and futures admitted to trading on a trading venue

This document sets out the top five execution venues where LGIM International Limited (LGIMI) executed or placed client orders in the preceding year in relation to dealings in equity derivatives – options and futures admitted to trading on a trading venue. It is an appendix to the overarching LGIMI Top 5 Execution Venue summary.

LGIMI takes all sufficient steps to consistently obtain the best possible result for its clients, taking into account a range of execution factors. An explanation of the relative importance LGIMI gives to the execution factors of price, costs, speed, likelihood of execution and any other consideration including qualitative factors when assessing the quality of execution are detailed in the LGIMI Best Execution Policy.

Where LGIMI transacts on an agency basis, execution quality is a key driver in our counterparty selection. In order to measure the efficacy of our counterparties, LGIMI uses both in house and third party analysis tools. The Global Trading team analyses the post trade returns versus the explicit trading benchmark set by the portfolio manager, as well as multiple other benchmarks to ensure the outcome is of a high standard.

Where we transact using an RFQ protocol, counterparty selection will be determined using inputs such as historical data and real time positioning. This enables LGIMI to construct the most appropriate panel from which to select the best price available.

Trading analysis is conducted daily, and then on a monthly basis when the Best Execution Committee meets to review and scrutinise the aggregate execution quality, and also to review any outliers.

There was no change in the list of execution venues listed in the execution policy for the preceding year.

TOP 5 VENUES (PLACEMENT)

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 percentage of total in that class
Deutsche Bank AG LEI: 7LTFWZYICNSX8D621K86	47%	15%
Credit Suisse Securities Europe Ltd LEI: DL6FFRRL74S01HE2M14	21%	46%
Goldman Sachs International LEI: W22LROWP2IHZNBB6K528	11%	20%
Morgan Stanley & Co International PLC LEI: 4PQUHN3JPFGFNF3BB653	9%	11%
Merrill Lynch International LEI: GGDZP1UYGU9STUHRDP48	4%	1%

TOP 5 VENUES (EXECUTION)

There were no trades executed on venue for the preceding year.

Appendix 1: classes of financial instruments

- (a) Equities – Shares & Depositary Receipts
 - (i) Tick size liquidity bands 5 and 6 (from 2000 trades per day)
 - (ii) Tick size liquidity bands 3 and 4 (from 80 to 1999 trades per day)
 - (iii) Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)
- (b) Debt instruments
 - (i) Bonds
 - (ii) Money markets instruments
- (c) Interest rates derivatives
 - (i) Futures and options admitted to trading on a trading venue
 - (ii) Swaps, forwards, and other interest rates derivatives
- (d) Credit derivatives
 - (i) Futures and options admitted to trading on a trading venue
 - (ii) Other credit derivatives
- (e) Currency derivatives
 - (i) Futures and options admitted to trading on a trading venue
 - (ii) Swaps, forwards, and other currency derivatives
- (f) Structured finance instruments
- (g) Equity Derivatives
 - (i) Options and Futures admitted to trading on a trading venue
 - (ii) Swaps and other equity derivatives
- (h) Securitized Derivatives

- (i) Warrants and Certificate Derivatives
 - (ii) Other securitized derivatives
- (i) Commodities derivatives and emission allowances Derivatives
 - (i) Options and Futures admitted to trading on a trading venue
 - (ii) Other commodities derivatives and emission allowances derivatives
- (j) Contracts for difference
- (k) Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)
- (l) Emission allowances
- (m) Other instruments

LGIMI only executed or placed trades in the preceding year for equities (shares & depositary receipts), currency derivatives (swaps, forwards, and other currency derivatives) and equity derivatives (options and futures admitted to trading on a trading venue).

Important Information

The top 5 execution venues information contained in this document (the “**Information**”) has been prepared by LGIM 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.

Third party data:

Where this document contains third party data (“Third Party Data”), we cannot guarantee the accuracy, completeness or reliability of such Third Party Data and accept no responsibility or liability whatsoever in respect of such Third Party Data.

Publication, amendments and updates:

We are under no obligation to update or amend the Information or correct any errors in the Information following the date it was delivered to you. LGIMI reserves the right to update this document and/or the Information at any time and without notice. Such Information is the property and/or confidential information of LGIMI and may not be disclosed by you to any other person without the prior written consent of LGIMI.

Although the Information contained in this document is believed to be correct as at the time of printing or publication, no assurance can be given to you that this document is complete or accurate in the light of information that may become available after its publication. The Information may not take into account any relevant events, facts or conditions that have occurred after the publication or printing of this document.

LGIM International Limited. Registered in England and Wales No. 07716001. Registered Office: One Coleman Street, London, EC2R 5AA. Authorised and regulated by the Financial Conduct Authority, No. 567888.
Telephone: +44 (0)20 3124 3124

Fax: +44 (0)20 3124 2526.

To ensure quality of service and for the protection of all parties, telephone calls may be recorded

April 2018