

# Annual publication of information on the identity of execution venues and on the quality of execution

30 April 2018

Report for the calendar year ending 31 December 2017

## Overview

Magnetar Financial (UK) LLP (“MFUK”) is an investment firm authorised and regulated by the Financial Conduct Authority.

As an investment firm which provides the services of portfolio management, reception and transmission of orders, and execution of client orders, MFUK is obliged to publish on its website information on the top-five execution venues in terms of trading volumes where it executed client orders, and the top-five investment firms in terms of trading volumes where it transmitted or placed client orders for execution in the preceding year. MFUK is also obliged to publish a summary of the analysis and conclusions it draws from its detailed monitoring of the quality of execution obtained on the execution venues where it executed client orders and the firms to which it sent orders in the previous year.

MFUK’s sole clients are its affiliates in the US (the “US Affiliates”), for which MFUK acts as sub-advisor with respect to certain funds and clients that are advised or managed by its US Affiliates. MFUK has entered into a sub-advisory and participating affiliate agreements with its US Affiliates setting out the terms on which it provides investment management and advisory services to its US Affiliates. The terms of the sub-advisory and participating affiliate agreements reflect the categorization of the US Affiliates as a Professional Client.

Part 1 of this report sets out data on MFUK’s top five execution venues and investment firms in each class of financial instruments in the form specified by Commission Delegated Regulation (EU) 2017/576 (“**RTS 28**”) for the calendar year ending 31 December 2017. Part 1 of this report is available to download by the public in a machine format by clicking [here](#).

Part 1 of this report refers to ‘direct’ and ‘indirect’ execution. MFUK uses these terms to refer to the following types of client order execution:

- (i) direct – execution of orders by MFUK directly as a member or participant of a trading venue, or with a systematic internaliser, market maker, liquidity provider, or direct counterparty (such as in OTC markets);
- (ii) indirect – transmission or placing of orders by MFUK with another investment firm for execution by the other firm (e.g. a broker).

For the avoidance of doubt, in the context of its portfolio management activities, MFUK treats decisions to deal which are made by MFUK on behalf of its clients, the US Affiliates, as constituting client orders for the purposes of this report.

Part 2 of this report sets out a summary of MFUK’s analysis and conclusions from its detailed monitoring of the quality of execution obtained by the investment firms where it executed client orders.

## **PART 2**

### **Summary of analysis and conclusions regarding quality of execution obtained**

When executing a transaction for the US Affiliates or placing an order with a third party for execution on behalf of the US Affiliates, MFUK must act in the best interests of the US Affiliates. In complying with this obligation for the calendar year ending 31 December 2017, MFUK was obliged to take all reasonable steps to obtain the best possible result taking account of relevant execution factors, such as price, cost, likelihood of execution and settlement, size, nature of the transaction and any other relevant considerations.

In trading on behalf of the US Affiliates, MFUK considers the relative importance of each execution factor. MFUK uses its experience and expertise to achieve the best balance across the full range of factors, including instances where such factors may conflict with each other. Overall, this may mean that MFUK does not always achieve the best possible execution for every client order. However, MFUK's best execution monitoring policy and procedures mean that MFUK is able to adjust the way it applies its order execution policy in order to continually improve execution quality, such that MFUK is able to achieve best execution when considered by reference to the totality of the relevant period.

Generally, MFUK considers the most important execution factor, across all classes of instruments, to be total price (i.e. the execution price of the financial instrument (before costs) plus all costs associated with acquiring or disposing of the relevant financial instrument, including both explicit costs (such as commissions charged by third party brokers) and implicit costs (such as movements in the price of the financial instrument as a result of the execution)). However, there may be circumstances where the primary execution factors may vary and total price is no longer the dominant execution factor.

When executing orders in over-the-counter markets, price shall in most circumstances merit the highest relative importance in obtaining best execution, but there may be circumstances in which size requirements will not permit execution at best price or a better price viewed on screen will not hold up to a price obtained more readily by phone. When executing orders in over-the-counter markets, MFUK will assess the fairness of the price proposed by gathering market data and, where possible, comparing with similar or comparable products.

Other than circumstances in which MFUK sends a decision to deal to its US Affiliate for execution, MFUK does not have any close links or common ownership with any of the execution venues or investment firms which execute client orders for MFUK.

MFUK has established policies and procedures to monitor and resolve conflicts with respect to any investment firms it used to execute client orders. MFUK does not have any arrangements under which MFUK receives any payment, discount, or rebate from an execution venue or investment firm. For the calendar year ending 31 December 2017, MFUK was permitted, under rules relating to dealing commission, to receive non-monetary benefits such as investment research from investment firms to which MFUK transmitted client orders. However, in compliance with its obligation to take all reasonable steps to achieve the best possible result when executing client orders, MFUK considers that such arrangements did not result in any detriment to the quality of execution obtained for its client.

As part of its order execution policy, MFUK maintains a list of investment firms which MFUK uses for execution of orders. For the calendar year ending 31 December 2017, MFUK added a small number of investment firms to the list of firms MFUK uses for execution of orders because they were able to provide liquidity and facilitate certain trading strategies.

MFUK actively assesses the quality of its execution using data and other tools. For example, MFUK conducts post-trade transaction cost analysis to analyse trader decision-making and the performance of its execution venues and trading strategies. Among other things, this analysis considers whether an executed price was higher or lower than the price of the financial instrument at the time the order was received from the portfolio manager (i.e., arrival costs) and whether actual arrival costs were consistent with anticipated arrival costs (using internal and/or third party estimates). In addition, MFUK employs quantitative strategists who use technological tools to assist the trading staff in improving the overall efficacy of their trading strategies.

MFUK considers that the above approach enabled it to achieve a high quality of execution for its client for the calendar year ending 31 December 2017. In particular, MFUK considers that:

- the execution venues and brokers included in its order execution policy demonstrated the capabilities necessary to efficiently execute orders across the full range of asset classes traded by MFUK on behalf of the US Affiliates;
- MFUK maintains relationships with a sufficient number of execution venues and brokers, given the extent and nature of its trading activities;
- the commissions charged by the brokers it used to execute orders were reasonable and consistent with, or more favorable than, standard market rates;
- MFUK is not overly dependent on a single execution venue or broker for asset classes it trades actively;
- where MFUK does rely on a single execution venue for a particular asset sub-class, this is appropriate in the context of the instruments being traded and MFUK is satisfied that relying on a single execution venue nonetheless enables it to achieve the best possible result for its clients; and
- its selection of execution venues and brokers resulted in the best possible results for its clients.