
2017 RTS 28 Report –
Top Five Execution Venues

30 April 2018

Winterflood Securities Limited (WINS) is a market maker offering execution services to retail brokers and institutional clients. We are committed to making two-way prices even in extreme adverse market conditions. It is our belief that technology led innovation is a solid path to the development of our company. We, at Winterflood Securities, pride ourselves on being client-centric and aim to provide our customers with a flexible, high quality service throughout the entire execution cycle from pre-trade right through to settlement.

www.winterflood.com

Order Execution Policy:

<http://www.winterflood.com/documentation>

Winterflood Business Services (WBS) was founded as a separate division by Winterflood Securities Limited in January 2010, in response to demand from both WINS' existing and potential clients. Having the backing and balance sheet of a robust organisation such as Winterflood Securities Limited gives WBS strength and scalability while remaining totally independent behind a Chinese wall in our operational business. WBS' key strength stems from a highly skilled and experienced team - our team of 40 people have detailed knowledge and high levels of experience across the industry.

www.winterfloodbusinessservices.com

Order Execution Policy:

<http://www.winterfloodbusinessservices.com/documentation>

Our registered office is The Atrium Building, Cannon Bridge House, 25 Dowgate Hill, London EC4R 2GA. WINS is a subsidiary of Close Brothers Group plc. We are a financial services firm and are authorised and regulated by the Financial Conduct Authority ("FCA") for the conduct of investment business in the United Kingdom, with firm reference number 141455.

I. INTRODUCTION

What is RTS 28?

Directive 2014/65/EU in financial instruments (MiFID II) requires investment firms who execute Client orders to summarise and make public on an annual basis, for each class of financial instruments the top five execution venues in terms of trading volumes where they executed Client orders in the preceding year and information on the quality of execution obtained.

http://ec.europa.eu/finance/securities/docs/isd/mifid/rts/160608-rts-28_en.pdf

What is Article 65?

Investment firms, when providing the service of reception and transmission of orders, shall comply with the obligation under Article 24(1) of Directive 2014/65/EU to act in accordance with the best interests of their Clients when transmitting Client orders to other entities for execution.

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R0565&from=EN> (Page 58)

What is our approach?

In line with these new regulations Winterflood will publish data annually in a machine-readable format and made available on our website. The raw data illustrates our top five execution venues across a range of in scope asset classes and Client categories. The data incorporates both WINS and WBS combined. Additionally, for each calendar year including this year, we will publish a more user-friendly summary of our data and our findings.

All information is available here: www.winterflood.com/documentation

What is Best Execution?

Under the revised Markets in Financial Instruments Directive 2014/65/EU (MiFID), WINS are required to take all sufficient steps to obtain the best possible result for Clients on a consistent basis when executing Orders, “Best Execution”. These MiFID requirements are implemented in the UK in the Conduct of Business Sourcebook (“COBS”) contained in the Handbook of the Financial Conduct Authority (the “FCA”).

What is our approach?

We have an obligation to constantly review the effectiveness of our execution arrangements. To ensure we are able to undertake a comprehensive review of our execution arrangements, we have established a Best Execution Committee (BEC). The BEC was formed to review and challenge our execution quality, scrutinise the procedures we have in place, and make any recommendations to improve our order handing policies.

We review our performance daily, using automated reports supplied by an independent third party which helps us to monitor and assess our execution quality. The BEC meets monthly, and we undertake a full review of our Order Execution Policy at least annually. This will include, but is not limited to, our benchmarking, our tolerances, our Broker selection and our list of accessible Execution Venues.

Exceptions are investigated by the BEC, and any systematic recommendations may subsequently be made which will then be incorporated into a revised and enhanced OEP. Furthermore, Compliance will also monitor our adherence to this OEP by undertaking ad hoc and independent sampling. We take our Best Execution obligations very seriously, and hence there is not only board representation on the BEC, but also representation from business heads of all the different trading sectors, as well as senior representation from Compliance.

II. OVERVIEW

As a registered Market Maker and Liquidity Provider, WINS executes a significant proportion of our Client business on our own book. WINS do not trade in a proprietary capacity, but facilitate Client business by acting in a principal or riskless principal capacity.

A large percentage of our overall trading volumes come from retail broker intermediaries, that are typically fellow exchange members, and hence are not Clients for the purposes of on exchange transaction, and are classified as Eligible Counterparties for any other business. In both these scenarios, the rules relating to Best Execution are not applicable, and therefore this business is out of scope for the purposes of this regulatory report.

We also execute a significant proportion of our turnover with institutional Clients that we would classify as Professional Customers. This Client base is placing a 'legitimate reliance' on WINS to execute their business, and hence we have a Best Execution obligation towards them. The data collected from this Client category forms the basis of these regulatory reports. WINS do not deal directly with Retail Clients.

WBS provide outsourced dealing, custody and settlement services, acting as Broker/Agent for a wide range of Clients including both Professional Customers and Retail Clients. Both Client categories are placing 'legitimate reliance' on WBS, and WBS will have contractual obligations towards those Clients.

As both WINS and WBS are a single legal entity, we have an obligation to report the combined data of both businesses, which means that for Professional Client business the numbers will be comingled.

Each table illustrates our top five venues for a unique combination of Asset Class, Client Category (P=Professional, R=Retail) and trading workflow. The different trading workflows identified by either RTS28 or Article65 (as shown above in section I) are either:

'EXECUTION' – When directly facing (and hence being a direct member of) an Execution Venue e.g. LSE
'TRANSMISSION' – When indirectly accessing an Execution Venue via a third-party Broker/Agent

A list of our current Execution Venues and Third-Party Brokers can be found within our Order Execution Policy(s).

III. DATA CLASSIFICATION

As mentioned previously, there are two different Client categories to whom we owe Best Execution, and hence whose business will be contained within this regulatory report, namely Professional Customers and Retail Clients. Therefore, a significant amount of our overall business, which we conduct with Eligible Counterparties, will not form part of this report.

The report is broken down into the different Asset Classes as outlined in the regulations. There are 22 different Asset Classes in total, but many of them (derivatives, contracts-for-difference, and emission allowances) are not traded by Winterflood. Our report will cover Equities, Debt Instruments (Bonds and Money Market Instruments), Exchange Traded Products and Other Instruments.

We have classified each instrument based on its CFI code (Classification of Financial Instrument) which is then mapped into the appropriate Asset Class. Where there is no mapping available, or no CFI code, we have included the data within 'Other Instruments'. This may include funds and foreign securities for example.

IV. DATA EXCLUSIONS

The new MiFID II regulations came into force on January 3rd 2018. The reporting period for this RTS 28 report is for the calendar year of 2017, which means that certain data points are not yet available to report on.

ESMA has recognised this within its Investor Protection Q&A published online, and specifically Question 6 updated on 4th April 2017. www.esma.europa.eu/press-news/esma-news/esma-updates-mifid-ii-mifir-investor-protection-qa

“ESMA recognises that for the first set of RTS 28 reports, investment firms may not be able to fully report on information which is not available or applicable in relation to the preceding year e.g. where it is tied to new provisions stemming from MiFID II or MiFIR. As a practical matter, this might mean that the first year’s report may lack some of the detail that would be available for subsequent reports, given that firms may not have data published under RTS 27 for the preceding year.”

The main data point we are unable to specify in this report of 2017 is the Liquidity Tick Bands, however they should be fully populated within our 2018 data files published next year.

Passive and Aggressive ratios are only relevant where Client orders are submitted to an Execution Venue’s Central Limit Order Book (CLOB). Whilst we can route Client orders to the CLOB, the vast majority of orders are executed against our own book. For the limited number of Client orders routed to the CLOB, we will have Passive and Aggressive data points for the 2018 data set.

WBS executes orders for their Clients which have been directed to (or pre-arranged with) a specific Execution Venue or Agent/Broker. A systematic way of recording this was not in place in 2017, but will be recorded on 2018 data.

V. SUMMARY OF OBSERVATIONS

As a traditional Market Maker, we are committed to providing our Clients with execution quality through our consistent liquidity provision and competitive pricing. Winterflood are registered as a Market Maker on the London Stock Exchange (LSE) in over 2,500 UK Equities, Exchange Traded Products and Fixed Income Instruments. We do not trade in a proprietary capacity, but facilitate Client business by trading on our own book. Our Client base is predominantly UK institutions who are typically investing in UK instruments, hence a significant amount of our business is trade reported to the LSE, our most dominant Execution Venue (87% by value, 81% by volume).

The LSE is shown as three unique Execution Venues, based on the new segmental MIC codes which were introduced in late 2017 in preparation for MiFID II. The Alternative Investment Market, or AIM, is operated as an MTF, and is a segment in which Winterflood are particularly active, so we would expect this entry to be significantly larger next year, when we have reported on a full calendar year under 'AIMX'. Similarly, we would expect the entry for 'XL0M' to be much larger. 'XL0M' represents the LSE international services, namely 'EQS' and 'ETR'.

The next most significant Execution Venue is shown as Winterflood Securities Limited. The reason for this is that these trades were executed in instruments which in 2017 were out of scope (XOFF) when compared to the new MiFID II regulations which were effective from January 3rd 2018. This most likely represents Exchange Traded Products and Fixed Income Instruments. These are now (2018) being reported to the LSE, so we would not expect to see a similar entry in our 2019 report of 2018 trading activity.

The entry for XETRA Germany shows that we have executed just over 1% there. This is business from European Clients, where we have represented their orders directly onto the CLOB, rather than executing on our own book. This is mainly retail flow in nature.

In terms of 'Transmission' of orders (less than 1% overall), typically in markets where we do not have direct access, we use an extensive network of Banks and Brokers as our Agent to facilitate execution. For WINS, we place most reliance on UBS AG, particularly in Switzerland, and for WBS, we use both Valbury Capital and Phillip Securities, specifically for markets in Asia Pacific.

Bloomberg MTF, or 'BMTF' is a new venue created out of the 'Request-For-Quote' (RFQ) function for trading Exchange Traded Products on Bloomberg. Here, both WINS and WBS will access multiple liquidity providers or market makers, in order to execute larger than average orders in Exchange Traded Products. BMTF also covers Fixed Income Instruments which are traded via the Bloomberg 'ALLQ' function. We expect the numbers to be far larger in the 2018 data set.

Ignis, Blackrock and Organic are all Fund Managers. We have included Fund Orders in our data set, but because they have no CIF mapping code, their data is included in 'Other Instruments'. WINS do not place Fund Orders, so this business is all conducted by WBS who do place Fund Orders on behalf of their Clients. As there is no 'Execution Venue' or Broker, we have used the Fund Manager and associated LEI number.

A summary of the raw data can be seen on the next page, but is only an aggregate of those venues who have appeared in the top five for a specific report. In other words, it does not include business conducted with Execution Venues and Agents/Brokers who did not appear in our top five.

VI. SUMMARY OF DATA

Summary by Execution Venue (aggregated where Top 5 across multiple reports)

Row Labels	Sum of % of Total Value	Sum of % of Total Trade Count
London Stock Exchange XLON	85.57%	80.09%
Winterflood Securities Limited 8BRUP6V1DX3PIG2R0745	10.14%	8.79%
XETRA XETR	1.09%	2.56%
UBS Limited REYPIEJN7XZHSUI0N355	0.75%	2.56%
London Stock Exchange - AIM MTF AIMX	0.70%	0.44%
London Stock Exchange - MTF XL0M	0.68%	0.75%
Bloomberg Trading Facility Limited BMTF	0.43%	0.06%
Ignis Investment Services Limited 213800GAL1S9UIG83646	0.17%	2.23%
BlackRock Fund Managers Limited 549300XGPOF48GVY4D26	0.17%	2.46%
Organic Investment Management Limited 2138008DPSQXN3XFXI69	0.16%	0.03%
Valbury Capital Limited FJ25I6IOF0UFGFLIP9G17	0.09%	0.02%
Phillip Securities Pte Ltd 549300XGHOLJHVP8DS88	0.06%	0.01%
NEX Exchange Trading (Equity) NEXT	0.02%	0.01%
NEX Exchange NEXX	0.00%	0.00%

Summary by Asset Class

Row Labels	Sum of % of Total Value	Sum of % of Total Trade Count
EQUITY	70.87%	69.00%
EXCHANGE TRADED PRODUCTS	21.01%	21.77%
OTHER	4.46%	8.05%
BONDS	3.53%	1.16%
MONEY MARKET INSTRUMENTS	0.12%	0.01%

Summary by Workflow (Direct Venue Execution, or Indirect Transmission to Agent)

Row Labels	Sum of % of Total Value	Sum of % of Total Trade Count
EXECUTION	99.11%	97.41%
TRANSMISSION	0.89%	2.59%

Summary by Client Categorisation (Retail is with WBS Only, Professional is comingled)

Row Labels	Sum of % of Total Value	Sum of % of Total Trade Count
Professional	99.72%	92.77%
Retail	0.28%	7.23%

Summary by Frequency (Was turnover less than one trade per day?)

Row Labels	Sum of % of Total Value	Sum of % of Total Trade Count
N	99.88%	99.99%
Y	0.12%	0.01%

VII. RELATIVE IMPORTANCE

In line with Order Execution Policy, we place significant importance on price when executing Client orders. The relative importance of other criteria is illustrated with examples in our Order Execution Policy(s), but will vary depending on the liquidity profile of each instrument, relative to the Client Order, hence market impact can be of equal importance.

When we assess the quality of our execution performance, we use the services of Liquid Metrix to independently validate our trade executions, across both WINS and WBS. Liquid Metrix will automatically benchmark each execution against the best reference price available in the market at that time.

We monitor daily reports, and review the results monthly within our Best Execution Committee(s) as documented within our Order Execution Policy(s). Where best price has not been achieved we will look at the other factors which may have influenced our execution, such as speed or likelihood of execution [many Clients expect a single fill, rather than multiple fills], settlement [some Clients want non-standard settlement] and often liquidity or market impact [larger orders in illiquid securities will often have no visible benchmark price].

VIII. EXECUTION VENUES

Under MiFID II, 'Execution Venue' means a Regulated Market, Multilateral Trading Facility (MTF), Organised Trading Facility (OTF, for Fixed Income), a Systematic Internaliser, Market Maker or other Liquidity Provider.

Whilst WINS are indeed a Market Maker, we are carrying out our business on a Trading Venue (Regulated Market or MTF), mainly the London Stock Exchange (amongst other venues). Our Client transactions are effected Off-Book, but On-Exchange and hence are executed in a multilateral environment and are identical to any other trades executed on a Central Limit Order Book (CLOB)..

For this reason, a high proportion of our trading will be shown as executed on the London Stock Exchange, despite WINS having acted as Market Maker, and having dealt on our own book.

Towards the end of 2017 the LSE introduced new segmental MIC codes in the lead up to the implementation of MiFID II. This means that in addition to the main 'XLON' exchange MIC, we have also included 'AIMX' (the Alternative Investment Market) and 'XLOM' for certain international securities.

We expect the 2018 data to reflect a higher percentage as these new MIC codes will have been operating for a full calendar year. The same is also true of the new Bloomberg MTF 'BMTF' for certain fixed income instruments and exchange traded products.

Exchange traded products make up a significant proportion of the WBS turnover and hence WBS have increased their coverage of liquidity providers over the course of 2017. Many of the larger orders are executed via the Bloomberg MTF Request-For-Quote mechanism, hence whilst WBS might access multiple Market Makers and Liquidity Providers, the trades will still be effected on 'BMTF', which will be shown as the execution venue.

IX. CONFLICTS OF INTEREST

We have a minor interest in Equiduct but, as illustrated in our data, we do not place more significant importance on this venue over any other venues. It is predominantly a venue for retail executions, with orders placed by Broker intermediaries who are classified as Eligible Counterparties and hence out of scope for this report. Those orders are routed to Equiduct by the Brokers themselves, and not by us. We act as liquidity provider, and matched executions are sent to us by Equiduct.

X. SPECIFIC ARRANGEMENTS

We have no special arrangements with any execution venues. Where we are direct members of certain execution venues, we may be registered Market Maker, or Liquidity Provider. In fulfilling our obligations therefore, our business may attract certain discounts as per publicly published fee schedules for each execution venue. Equally, like any market participants, we may receive 'maker-taker' rebates when residing passive liquidity on certain execution venues.

XI. CLIENT CATEGORISATION

The category of a Client, whether Professional or Retail, should have no bearing on how we execute a Client order, unless the Client requests that we follow any specific instructions – which could be for WINS to execute in a single fill for example, or for WBS to aggregate all equivalent Client orders to a single instruction per day.

All other factors being equal, both WINS and WBS will follow their respective Order Execution Policies, regardless of Client categorisation, when receiving a Client order. A small order in a liquid stock will be executed in the same way, whether from a Professional Customer or Retail Client. The same would also hold true of a larger order in a less liquid instrument.