



## **RTS 28 Report**

**1 January - 31 December 2019**

TCI Fund Management Limited ("TCI") is required 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 TCI executed client orders in the preceding year, together with information on the quality of execution obtained.

When executing orders or placing orders with third parties for execution, TCI seeks to obtain the best possible result on behalf of clients by taking into account several execution factors such as price, costs, speed, certainty of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

1. *A description of any close links, conflicts of interests, and common ownerships with any execution venues and brokers used:* TCI does not have any close links or common ownerships with any execution venue or brokers. TCI does not trade with any affiliates. From time to time, the funds under TCI's management may invest in market providers or trading counterparties. However, investment in such financial services issuers is not a factor when selecting execution venues or brokers.
2. *A description of any specific arrangements with any execution venues and brokers regarding payments made or received, discounts, rebates or non-monetary benefits received. This should allow investors to consider how such arrangements impact their costs:* With the exception of minor non-monetary benefits, TCI does not receive any payments, discounts, rebates or other non-monetary benefits as part of its trading arrangements.
3. *An explanation of the factors that could lead to any change in the execution venues and brokers listed in the firm's execution policy:* TCI's Order Execution Policy contains a list of execution venues and brokerage firms that enable TCI to obtain on a consistent basis the best possible result for the execution of orders by type of financial instrument. TCI regularly assesses the execution venues available and may add or delete venues in accordance with its obligation to achieve Best Execution, and depending on the brokers' financial soundness, effectiveness and performance of execution services. The same principles apply to TCI's SFT counterparties.

4. *An explanation of how order execution differs according to client categorisation, if there is a difference:* TCI has only Professional Customers and so all order execution is performed in the same manner.
5. *An explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these helped deliver the best possible result in terms of the total consideration to the client:* NA – No retail client orders.
6. *An explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under RTS 27 (now Delegated Regulation (EU) 2017/575):* TCI has appointed an independent TCA provider to assist with the monitoring and oversight of the quality of execution obtained on execution venues. Equity and equity derivatives TCA reports are provided on a regular basis. For other asset classes manual checks are performed by the Compliance team to monitor best execution, including analysis of best execution reports provided by a venue or broker. To date, TCI has not utilised any RTS 27 reports. TCI is satisfied that, during 2019, it complied with the requirements set out in its Order Execution Policy.
7. *An explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of MiFID II:* This will be reviewed when providers become available.
8. *An explanation of the relative importance given to the execution factors of price, costs, speed, likelihood of execution, or to any other consideration including qualitative factors when assessing the quality of execution:*

#### **Equities and Equity Derivatives (Swaps)**

TCI trades Equities and Equity Swaps in the same manner and when assessing the execution venue, the firm will consider the following factors for both types of instruments, in the order listed:

1. Certainty of execution - it is of vital importance that TCI is confident that when it selects that venue or broker, it knows that the trade will be completed.
2. Price – TCI's expectation is that the venue selected will be able to offer prices that are as good as or better than other venues for the particular trade.
3. Order size and nature – Orders, substantial in size or those involving Illiquid Equities and Equity Swaps based on such equities, could determine the selection of execution venues.
4. Speed of execution - On occasions, the portfolio manager will determine that speed is of the essence in executing a trade, but the more normal process will be to place the trade over an extended period of time, dependent on the size of the trade, the size of the issuer and the liquidity of its stock.
5. Costs – TCI has standardised the cost of execution across the market. The rate selected is kept under periodic review and will never be outwith market standard prices. The cost of executing a trade is taken into account when selecting whether to trade physical or synthetic. Costs to be taken into account in these circumstances would include stamp duty and the capital commitment, compared to the cost of financing.

6. Counterparty risk - As TCI trades on a delivery versus payment (DVP) basis and only trades with well-established and financially secure brokers, this aspect is not typically considered to be a high risk.
7. Settlement - As above, TCI only trades with established and sound entities, and an experienced Settlements team monitors the progress of each trade through to final settlement.

Class of Instrument	Equities - Band 3&4 *				
Notification if <1 average trade per business day in the previous year				YES	
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 a % of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
UBS Limited	43.01%	3.13%	NA	NA	NA
RBC Europe Limited	26.22%	9.38%	NA	NA	NA
Redburn (Europe) Limited	11.14%	28.13%	NA	NA	NA
Exane Limited	10.74%	18.75%	NA	NA	NA
Sanford C. Bernstein Limited	2.52%	15.63%	NA	NA	NA

Class of Instrument	Equities - Band 5&6 *				
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 % of total in that class	Proportion of orders executed as a % of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Merrill Lynch International	15.32%	7.84%	NA	NA	NA
HSBC Bank PLC	14.49%	0.81%	NA	NA	NA
Exane Limited	13.81%	15.27%	NA	NA	NA
Redburn (Europe) Limited	8.59%	13.51%	NA	NA	NA
Jefferies International Limited	5.14%	3.78%	NA	NA	NA

Notes:

\* Liquidity band taken from BBG and ESMA website and include all EU securities where banding is available; all non-EU and EU non-banded stocks are in category "Other".

\*\* RBC, J.P. Morgan, Merrill Lynch International, Sanford Bernstein and Redburn, represent the largest counterparts by volume at group level, however this is diluted by the separation of legal entities within the group and by the splitting of equity by liquidity bands.

Class of Instrument	Other *				
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 % of total in that class	Proportion of orders executed as a % of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
RBC Europe Limited	19.05%	17.19%	NA	NA	NA
J.P. Morgan Securities LLC	17.28%	7.51%	NA	NA	NA
Merrill Lynch International	9.34%	7.84%	NA	NA	NA
Sanford Bernstein and Co LLC	8.31%	9.84%	NA	NA	NA
Redburn (Europe) Limited	6.56%	8.65%	NA	NA	NA

Notes:

\* This table includes trades in non-EU equity instruments and any EU equities which were not able to be categorised into the liquidity bands.

\*\* RBC, J.P. Morgan, Merrill Lynch International, Sanford Bernstein and Redburn represent the largest counterparts by volume at group level, however this is diluted by the separation of legal entities within the group and by the splitting of equity by liquidity bands.

Class of Instrument	Equity Derivatives - Swaps and other equity 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 % of total in that class	Proportion of orders executed as a % of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
HSBC Bank PLC	51.14%	57.10%	NA	NA	NA
UBS AG	22.80%	20.11%	NA	NA	NA
Goldman Sachs International	17.25%	13.00%	NA	NA	NA
Citibank Global Markets Limited	4.74%	4.42%	NA	NA	NA
JPMorgan Chase Bank, NA	3.92%	3.08%	NA	NA	NA

Notes:

\* Top 5 execution venues viewed as the swap counterparty as opposed to give up broker on underlying hedge.

**Debt Instruments – Bonds and Money Market Instruments**

TCI takes all sufficient steps to achieve the best possible result for client orders.

Money Market Instruments are traded primarily for cash management purposes and as such price and cost are the most significant factors.

With regards to Bonds, due to the often illiquid nature of the instruments, in deciding how to effect client orders the following factors are primarily considered:

1. Certainty of execution
2. Order size and nature – Orders substantial in size or these involving Illiquid Debt Instruments often determine the selection of execution venues
3. Price
4. Cost
5. Other

Class of Instrument	Debt Instruments - Bonds				
Notification if <1 average trade per business day in the previous year				YES	
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 a % of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
J.P. Morgan Securities LLC	45.06%	43.59%	NA	NA	NA
Merrill Lynch International	17.82%	12.82%	NA	NA	NA
Goldman Sachs & Co. LLC	17.03%	17.95%	NA	NA	NA
Citigroup Global Markets Limited	9.83%	12.82%	NA	NA	NA
Barclays Bank PLC	8.28%	10.26%	NA	NA	NA

Class of Instrument	Debt Instruments - Money market instruments				
Notification if <1 average trade per business day in the previous year				YES	
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 a % of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Citigroup Global Markets Limited	100.00%	100.00%	NA	NA	NA

**Currency Derivatives - Swaps, forwards, and other currency derivatives**

The vast majority of FX Forwards trades are executed through FXALL that is a request for quote (RFQ) platform, while the remaining trades are executed through brokers. During 2019, around 97% of all FX Forwards trades were executed through FXALL.

Before executing an order, multiple counterparties are chosen to compete for each trade. All obtained quotes are compared against current market prices before placing an order. The following factors are taken into account:

1. Price
2. Order size and nature
3. Certainty of execution
4. Cost
5. Other

Currency Derivatives - Swaps, forwards, and other currency derivatives (via FXALL)					
Notification if <1 average trade per business day in the previous year				NO	
Class of Instrument	Proportion of volume traded as a % of total in that class	Proportion of orders executed as a % of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Top five execution venues ranked in terms of trading volumes (descending order)					
JPMorgan Chase Bank, NA	29.15%	16.24%	NA	NA	NA
Natwest Markets PLC	25.68%	15.58%	NA	NA	NA
HSBC Bank PLC	20.38%	29.19%	NA	NA	NA
Citibank, National Association	9.98%	10.08%	NA	NA	NA
Royal Bank of Canada	6.10%	16.34%	NA	NA	NA

Currency Derivatives - Swaps, forwards, and other currency derivatives					
Notification if <1 average trade per business day in the previous year				YES	
Class of Instrument	Proportion of volume traded as a % of total in that class	Proportion of orders executed as a % of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Top five execution venues ranked in terms of trading volumes (descending order)					
Morgan Stanley & Co Intl PLC	86.06%	83.52%	NA	NA	NA
JPMorgan Chase Bank, NA	13.94%	16.48%	NA	NA	NA

**Securities Financing Transactions (SFTs) – Stock Borrow**

When executing SFTs, TCI also takes all sufficient steps to achieve the best possible result for its clients. Similarly to other types of traded instruments, the price (that is the borrow fee) and certainty of execution are the main factors. However, the size and nature of the order which will ultimately be reflected in the price, is often to take priority when selecting the counterparty.

Class of Instrument	SFTs*	
Notification if <1 average trade per business day in the previous year	YES	
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 a % of total in that class
HSBC Bank PLC	58.32%	59.21%
State Street Bank International GmbH	41.68%	40.79%

Notes:

\* Includes stock borrows on physically held securities; no short derivatives. Only shown the borrow side of the transaction, not the return.