

Quality of Execution Annual Report – Elliott Advisors (UK) Limited (FRN: 401411) (“EAUK”)

Overview:

Under the recast Markets in Financial Instruments Directive and Regulation (together “**MiFID II**”) EAUK is required to explain the relative importance it gave to the execution factors such as price, costs, speed, and likelihood of execution when making assessments about the quality of execution EAUK obtained during the period 01 January 2019 – 31 December 2019. For most transactions that EAUK enters into on behalf of its clients, EAUK considers price and the total cost of the transaction to be the most important execution factors. However, for a substantial number of transactions other execution factors, such as speed and certainty of execution, and liquidity, can play a major role in the determination of EAUK of whether it has chosen the best counterparty or venue for a particular transaction. The relative importance of each of the execution factors will be determined by reference to the following criteria: the needs of its clients in respect of the specific transaction; prevailing market conditions; the characteristics of the client order; the characteristics of financial instruments that are to be traded; and the characteristics of the execution venues or brokers to which the order can be directed.

This report provide qualitative information summarising the quality of indirect execution undertaken by EAUK in the 2019 calendar year. This report should be read in conjunction with the relevant quantitative top 5 broker and venue execution tables, which are separated by sub-classes of financial instruments

Sub-classes of Financial Instruments (Brokers):

- Equity Derivatives: Swaps and other equity derivatives
- Equity Derivatives: Options and Futures admitted to trading on a trading venue
- Equities Shares & Depositary Receipts: Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)
- Equities Shares & Depositary Receipts: Tick size liquidity bands 3 and 4 (from 80 to 1999 trades per day)
- Equities Shares & Depositary Receipts: Tick size liquidity bands 5 and 6 (from 2000 trades per day)

In relation to transactions in equities and equities derivatives, EAUK does not have any close links, conflicts, or common ownerships with respect to execution venues used to execute orders. Similarly, EAUK does not benefit from any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

Size of order, price, and cost will normally be the most significant execution factors in relation to the above asset classes, however, execution speed, the lack of venues or counterparties offering the relevant instrument, or the lack of liquidity may mean that price is not always the sole determinant for the relevant trades.

EAUK will periodically add (or remove) brokers from the list of execution venues that EAUK uses in respect of each class of financial instruments attached as Schedule 1 to EAUK’s Order Execution Policy. The purpose of any additions, or removals, to that list will be to ensure that EAUK can: maintain access to key markets for financial instruments it transacts in; ensure that it has access to a comprehensive selection of market participants, thereby enabling it to source prices, and liquidity, from a larger number of counterparties than it would otherwise be able to; and ensure that it is best placed to serve the needs of its clients.

EAUK only transacts with Professional Clients, and the same Order Execution Policy is applied across all Professional Clients.

EAUK has engaged an independent professional services company to analyse its equity transactions. The service provider flags to EAUK's compliance department trades which have been executed outside the European Best Bid and Offer ("EBBO") at the relevant time that the trade was executed by EAUK's broker (excluding trades executed in the closing auction). If a trade has been executed outside the EBBO, on notification of such trades EAUK's compliance department will consider, in conjunction with speaking with the relevant member of the trade floor, whether any other factors were present which outweighed the usual intention for EAUK to achieve the best price in the market for the trade. If no mitigating factors are present, the trade will be added to the relevant best execution outlier log and will be periodically reviewed by EAUK's senior management.

For equities the proportion of volume traded as a percentage of total in that class has been calculated using the number of shares traded.

Sub-classes of Financial Instruments (Brokers):

- Interest rates derivatives: Swaps, forward and other interest rates derivatives
- Currency derivatives: Futures and options admitted to trading on a trading venue
- Interest rates derivatives: Futures and options admitted to trading on a trading venue
- Currency derivatives: Swaps, forwards, and other currency derivatives

In relation to transactions in interest rates and currency derivatives, EAUK does not have any close links, conflicts, or common ownerships with respect to execution venues used to execute orders. Similarly, EAUK does not benefit from any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

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Sub-classes of Financial Instruments (Brokers):

- Debt instruments: Bonds; Money market instruments
- Credit derivatives: Other credit derivatives

In relation to transactions in debt instruments and credit derivatives, EAUK does not have any close links, conflicts, or common ownerships with respect to execution venues used to execute orders. Similarly, EAUK does not benefit from any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

Size of order, price and cost will normally be the most significant execution factors. However, where EAUK has an order which requires immediate execution the quality of execution is less easily measured, as the negotiated price becomes more subjective and depends on the level of risk the broker is prepared to accept; comparative quotes can be sought from other brokers, but in the case of larger orders that are sensitive to information leakage, this may not be in the interests of EAUK's clients. EAUK does utilise systems which allow it to source competing quotes from brokers, and transactions are reviewed where it is not immediately apparent that the best price was achieved.

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For debt instruments the proportion of volume traded as a percentage of total in that class has been calculated using the total nominal value of debt instruments traded.

Sub-classes of Financial Instruments (Brokers):

- Commodities derivatives and emission allowances Derivatives: Options and Futures admitted to trading on a trading venue
- Emissions Allowances

In relation to transactions in commodities and emission allowances derivatives, EAUK does not have any close links, conflicts, or common ownerships with respect to execution venues used to execute orders. Similarly, EAUK does not benefit from any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

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For emissions allowances the proportion of volume traded as a percentage of total in that class has been calculated using the notional amount of traded contracts.

Sub-classes of Financial Instruments (Venue):

- Equities Shares & Depositary Receipts: Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)
- Equities Shares & Depositary Receipts: Tick size liquidity bands 3 and 4 (from 80 to 1999 trades per day)
- Equities Shares & Depositary Receipts: Tick size liquidity bands 5 and 6 (from 2000 trades per day)

In relation to transactions in equities, EAUK does not have any close links, conflicts, or common ownerships with respect to execution venues used to execute orders. Similarly, EAUK does not benefit from any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

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For equities the proportion of volume traded as a percentage of total in that class has been calculated using the number of shares traded.

Sub-classes of Financial Instruments (Venue):

- Currency derivatives: Swaps, forwards, and other currency derivatives

In relation to transactions in currency derivatives, EAUK does not have any close links, conflicts, or common ownerships with respect to execution venues used to execute orders. Similarly, EAUK does not benefit from any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

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Sub-classes of Financial Instruments (Venue):

- Debt instruments: Bonds; Money market instruments

In relation to transactions in debt instruments and credit derivatives, EAUK does not have any close links, conflicts, or common ownerships with respect to execution venues used to execute orders. Similarly, EAUK does not benefit from any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

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