

MAINFIRST



# RTS REPORT 2017 | 1

MAINFIRST AFFILIATED  
FUND MANAGERS  
(DEUTSCHLAND) GMBH

2017

Version 1.0

## **Execution Quality Summary according to Article 3 (3) of the Commission Delegated Regulation (EU) 2017/576 (“RTS 28”) and Article 65 (6) of the Commission Delegated Regulation (EU) 2017/565**

**Period 01.01.2017 – 31.12.2017**

**Valid for all Instrument Classes MAINFIRST (Asset Management) trades**

The MiFID II regulations<sup>1</sup> require investment firms to publish on an annual basis information about the quality of its execution practices. MAINFIRST Bank AG (Asset Management) (“MAINFIRST”) wants to give herewith its summary information and conclusions as required by RTS 28, Art 3 (3) and Article 65 (6). The summarised presentation in accordance with MiFID II covers all asset classes that MAINFIRST trades. In addition, for reporting purposes, MAINFIRST also consolidates a review of orders executed indirectly via third parties in 2017.

**(a) Explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution:**

MAINFIRST’s Best Execution Policy sets out the approach to provide the best possible result when accepting an order and executing a transaction for Professional Clients as required according to the Markets in Financial Instruments Directive 2014/65/EU, related RTS respective national law and additional guidance by national regulatory bodies (together “MiFID II”).

MAINFIRST has taken during the reporting period all sufficient steps to execute such transactions in financial instruments on terms most favourable to clients on a consistent basis (“Best Execution” or “Best Execution obligation”). Similarly, MAINFIRST has monitored on a regular basis not only the execution quality obtained but also the quality and appropriateness of its execution arrangements and policies on an ex ante and ex post basis to identify circumstances under which changes might have been appropriate.

MAINFIRST has considered the following range of factors to be important to fulfil its Best Execution as follows:

- (1) price and costs;
- (2) speed and likelihood of execution and settlement
- (3) general quality of execution
- (4) size of the transaction
- (5) nature of the transaction

The individual importance of the Best Execution factors may have varied, when executing orders (especially when ISDAs are required).

MAINFIRST had during the reporting period the necessary procedures and arrangements in place as well as an appropriate valuation system. The Bank has routinely taken into account external

---

<sup>1</sup> Markets in Financial Instruments Directive 2014/65/EU (MiFID II) together with the Commission Delegated Regulation (EU) 2017/575 (formerly “RTS 28”) and Article 65 (6) of the Commission Delegated Regulation (EU) 2017/565 (“Article 65 (6)”)

market data and externally verifiable reference prices (where available) to ensure the fairness of the price for its transactions.

**(b) A description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders:**

MAINFIRST acts fully independent. To ensure this, orders are generally executed by the Trading Desk at MAINFIRST Affiliated Fund Managers S.A.

If MAINFIRST Bank AG (Equity Brokerage) is chosen as counterparty, general rules apply for commissioning as well as best execution monitoring.

**(c) A description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received:**

MAINFIRST operates with every broker on the basis of the counterparty's respective standard terms of business. MAINFIRST does not and did not receive any remuneration, discount or any non-monetary benefit for routing an order to a particular regulated market place, trading venue or broker based on inducement rules as stated in the MAINFIRST GROUP Code of Conduct.

**(d) An explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred:**

When executing a transaction for the client the venue(s) will be chosen by taking into account the following factors in order to obtain the best possible result on a consistent basis:

- (1) Costs
- (2) Performance and likelihood of execution
- (3) Settlement risk
- (4) Infrastructure and operational stability

MAINFIRST has regularly assessed the market landscape to determine whether or not there were alternative execution venues / brokers.

In light of the upcoming MiFID II regulation MAINFIRST reviewed in 2017 the access to all important liquidity sources. There have been material changes in the list of Venues and Brokers MAINFIRST is directly connected to: To ensure that regulatory reporting is supported by the counterparts, the broker list was reduced. Still, with its network of various global Brokers MAINFIRST can similarly access all markets and venues to achieve best execution to the benefit of its clients. MAINFIRST has made sure that it is able to access all important liquidity venues under MiFID II in the future.

**(e) An explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements;**

MAINFIRST acts as portfolio manager. All MAINFIRST clients are treated equally in terms of execution arrangements.

- (f) An explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;**

N/A – MAINFIRST does not carry out any business with retail clients

- (g) An explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Commission Delegated Regulation (EU) 2017/575 (RTS 27)**

MAINFIRST operates, amongst other systems, a Transaction Cost Analysis (TCA) system to monitor and evaluate the execution quality and broker performance on an ongoing basis. A daily review of orders against their respective benchmarks is conducted, while a committee has oversight on a monthly basis.

As RTS 27 reports from execution venues are not available for 2017 those could not be incorporated in the analysis for 2017.

- (h) Where applicable, an explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU.**

N/A – there is no consolidated tape established yet.



## 1 Commodities Derivatives and Emission Allowances Derivatives

MAINFIRST has just one trading partner where it executed Commodity Derivatives and Emission Allowances Derivatives. Because of the rarity of those transactions, the willingness of other counterparties to execute is very limited. In addition trading with the custodian increases the quality of settlement and reduces settlement costs.

Class of Instrument	Commodities Derivatives and Emission Allowances Derivatives: Options and Futures Admitted to Trading on a Trading Venue				
Notification if <1 average trade per business day in the previous year	Y				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Morgan Stanley	100%	100%	0%	100%	0%



## 2 Currency Derivatives: Futures and Options Admitted to Trading on a Trading Venue

MAINFIRST had just two main trading partners where it executes Currency Derivatives Futures and Options.

Class of Instrument	Currency Derivatives: Futures and Options Admitted to Trading on a Trading Venue				
Notification if <1 average trade per business day in the previous year	N				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP Morgan	75,53%	68,17%	0%	100%	0%
Morgan Stanley	24,47%	31,83%	0%	100%	0%



## 3 Equities - Shares and Depositary Receipts: Tick size liquidity bands 1 and 2

MAINFIRST has no specific trading partner where it executes equities. The access to the market and market makers lead to the brokers/counterparties below.

Class of Instrument	Equities - Shares and Depositary Receipts: Tick size liquidity bands 1 and 2				
Notification if <1 average trade per business day in the previous year	N				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Evercore ISI	10,37%	28,48%	0%	100%	0%
Bank of America Merrill Lynch	9,64%	14,85%	0%	100%	0%
Citi	8,67%	4,36%	0%	100%	0%
Sanford Bernstein	8,47%	8,50%	0%	100%	0%
Nomura	7,59%	0,93%	0%	100%	0%

## 4 Equities - Shares and Depositary Receipts: Tick size liquidity bands 3 and 4

MAINFIRST has no specific trading partner where it executes equities. The access to the market and market makers lead to the brokers/counterparties below.

Class of Instrument	Equities - Shares and Depositary Receipts: Tick size liquidity bands 3 and 4				
Notification if <1 average trade per business day in the previous year	N				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Goldman Sachs	21,11%	1,82%	0%	100%	0%
Morgan Stanley	15,96%	41,88%	0%	100%	0%
Citi	13,58%	1,88%	0%	100%	0%
Morgan Stanely	8,37%	0,07%	0%	100%	0%
Exane	5,88%	1,05%	0%	100%	0%



## 5 Equities - Shares and Depositary Receipts: Tick size liquidity bands 5 and 6

MAINFIRST has no specific trading partner where it executes equities. The access to the market and market makers lead to the brokers/counterparties below.

Class of Instrument	Equities - Shares and Depositary Receipts: Tick size liquidity bands 5 and 6				
Notification if <1 average trade per business day in the previous year	N				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Goldman Sachs	42,00%	0,28%	0%	100%	0%
Morgan Stanley	24,31%	37,08%	0%	100%	0%
UBS	3,68%	0,04%	0%	100%	0%
MAINFIRST	3,54%	6,45%	0%	100%	0%
Bank of America Merrill Lynch	3,03%	3,23%	0%	100%	0%



## 5.1 Equity Derivatives: Futures and Options Admitted to Trading on a Trading Venue

MAINFIRST has just two main trading partners where it executes Equity Futures and Options.

Class of Instrument	Equity Derivatives: Futures and Options Admitted to Trading on a Trading Venue				
Notification if <1 average trade per business day in the previous year	N				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Morgan Stanley	77.54%	83,57%	0%	100%	0%
JP Morgan	21,83%	16,19%	0%	100%	0%
DZ Bank	0,62%	0,24%	0%	100%	0%

## 6 Exchange Traded Products (Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Commodities)

MAINFIRST has no main trading partners where it executes ETF and EFC. But, given a very good execution in the auction, Commerzbank the key broker in 2017.

Class of Instrument	Exchange Traded Products (Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Commodities)				
Notification if <1 average trade per business day in the previous year	Y				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Commerzbank	50,92%	58,42%	0%	100%	0%
Flow Traders	28,69%	19,80%	0%	100%	0%
Citi	8,88%	7,92%	0%	100%	0%
Morgan Stanley	5,99%	5,94%	0%	100%	0%
Jane Street	2,42%	4,95%	0%	100%	0%

## 7 Interest Rate Derivatives: Futures and Options Admitted to Trading on a Trading Venue

MAINFIRST had just three main trading partners where it executed Interest Rate Futures and Options.

Class of Instrument	Interest Rate Derivatives: Futures and Options Admitted to Trading on a Trading Venue				
Notification if <1 average trade per business day in the previous year	N				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Morgan Stanley	45,08%	75,56%	0%	100%	0%
DZ Bank	40,85%	14,08%	0%	100%	0%
JP Morgan	14,08%	10,36%	0%	100%	0%



## 8 Credit Derivatives: Other Credit Derivatives

MAINFIRST has just two main trading partners where it executes Credit Derivatives on a bilateral basis with underlying ISDA and CDA agreements. Financial strength and stability is essential for that kind of business. In addition timely reporting, high quality of settlement and the allocation of counterparty risk within a fund has to be ensured.

Class of Instrument	Credit Derivatives: Other Credit Derivatives				
Notification if <1 average trade per business day in the previous year	Y				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Goldman Sachs	96.19%	87.88%	0%	100%	0%
JP Morgan	3.81%	12.12%	0%	100%	0%

## 9 Debt Instruments: Bonds

MAINFIRST has no main trading partner where it executes Bonds. Because of the nature of the security (issuer), size of the order and financial strength and stability the prices and quality of settlement is different. Given to that MAINFIRST trades with the counterparty where the quality of execution and the overall cost of a trade are guaranteed.

Class of Instrument	Debt Instruments: Bonds				
Notification if <1 average trade per business day in the previous year	N				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
JP Morgan	15,67%	3,90%	0%	100%	0%
Goldman Sachs	12,69%	3,75%	0%	100%	0%
Jefferies	11,95%	4,98%	0%	100%	0%
CSFB	9,46%	3,30%	0%	100%	0%
SC Lowy	9,30%	0,99%	0%	100%	0%

## 10 Debt Instruments: Money Markets

MAINFIRST had no main trading partners.

Class of Instrument	Debt Instruments: Money Markets				
Notification if <1 average trade per business day in the previous year	Y				
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	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Unicredit	41,30%	38,27%	0%	100%	0%
Barclays	13,49%	13,58%	0%	100%	0%
HSBC	8,10%	7,41%	0%	100%	0%
Bloomberg	6,75%	6,17%	0%	100%	0%
SocGen	5,40%	4,94%	0%	100%	0%

MAINFIRST Bank AG (Asset Management)  
Frankfurt am Main, April 2018

Board of Management