

Summary of order execution quality in 2021

1 - Preamble

In accordance with the European Directive 2014/65/EU, the MIFIR regulation, as well as the various delegated regulations (in the set "MIFID II") in force since 3 January 2018, Banque Transatlantique Luxembourg (BTL) publishes annually the list of the first five intermediaries to which its clients' orders have been transmitted for execution (made available on the BTL website), and this in terms of volume for each category of clients and financial instruments. The BTL also publishes a summary of the analysis it makes and the conclusions it draws from the monitoring of the execution quality of its intermediaries, which is presented below.

2 - Analysis of order execution quality

BTL is not a member of any market or execution platform. Consequently, it does not directly execute the orders of its customers. In accordance with its policy of best selection, the BTL entrusts the execution of these orders to intermediaries having procedures and mechanisms of execution corresponding to the objectives fixed in its execution policy. It is important to recall that the BTL has no link and has not concluded any agreement with intermediaries and execution platforms likely to generate a conflict of interest or likely to be considered as an "advantage". BTL nevertheless wishes to specify that it has a strong link with the intermediary/execution platform CIC Market Solutions which belongs to the same Group as the Bank (Crédit Mutuel Alliance Fédérale). The fact that this entity belongs to the same Group as BTL means that it can benefit from automated order processing chains. Indeed, the chain for placing, executing and integrating orders in the information system is now fully automated and passes through the buy-side trading desk set up by CIC Market Solutions, an entity of Crédit Mutuel Alliance Fédérale. As a result, the time taken and the risk of error have been reduced and the monitoring of transactions facilitated.

However, the responsibility of selecting the intermediaries authorised to the buy-side trading desk of CIC Market Solutions remains with the BTL. In this respect, at the time of its implementation, the list of intermediaries was reviewed and the number of counterparties reduced, while ensuring that the selected intermediaries make it possible to cover qualitatively the panel of asset classes likely to be treated on behalf of the clients of the BTL. The quantitative and qualitative factors likely to impact the search for the best execution taken into account by BTL are detailed within the framework of its policy of best execution and best selection. However, particular importance is given to the following factors, without these being necessarily ranked in order of importance:

- security of transaction processing: in general, BTL favours transmission to counterparties that have implemented automated passage, execution and confirmation processes, thus minimising the risk of error;

- Probability of execution: BTL has selected intermediaries that provide access to all types of financial instruments traded on behalf of its clients as well as a wide coverage of regulated markets and execution platforms for the most liquid instruments, or market makers/counterparties for less liquid instruments or those often traded OTC;

- Speed and price of execution: these criteria are intrinsically linked and equally important, since the price is often linked to the speed of handling and execution, as well as to the impact of the order on the market, which in turn depends, among other things, on the liquidity of the financial instrument;

- the cost of execution: BTL takes into account the cost related to the execution and settlement of its orders, given that this cost impacts the structure of BTL's expenses and thus the cost ultimately billed to customers. In order to appreciate the quality of execution, BTL uses various data, of internal or external nature.

BTL distinguishes two types of orders:

- orders for a maximum amount of EUR 100,000 (or the equivalent currency value) for a financial instrument that is highly liquid on the regulated markets. For the latter, the selection made gives priority to speed of execution and favours intermediaries technically integrated with CIC Market Solutions' systems (thanks to Direct Market Access). BTL notes a greater speed of execution due to this automation;

- orders of more than EUR 100,000 (or equivalent value in foreign currency) or involving illiquid instruments or with specific client instructions. In this case, the order is processed in a dedicated manner by a CIC Market Solutions operator in order to optimise the best possible result. Speed of execution is therefore no longer necessarily the primary criterion. The criteria of probability of execution and settlement-delivery are particularly important in this case.

To date, the analysis of the quality of execution carried out by BTL has not revealed any anomaly on the part of CIC Market Solutions (the sole intermediary in the placing of orders) and the selected intermediaries. As regards the processing of operations on external UCITS, CIC Titres intervenes in all stages of the settlement-delivery. BTL does not note any anomaly on their part. The reports at the disposal of BTL show indeed the capacity that the various intermediaries retained have to carry out in a satisfactory way all the universe of marketed financial instruments and this, whatever the geographical area concerned and the market liquidities met. It is also important to underline that BTL treated in the same way all the orders for account of its customers and this, that they are for account of the professional customers or the retail customers. However, the typology of the order, and in particular the size and the instructions of the customer are likely to generate a different selection and/or execution treatment.

For fixed income instruments, BTL electronically transmits orders to the CIC Market Solutions trading desk, which queries the market by competing with several authorised counterparties. The execution analysis criteria focus on the ability to find a counterparty in order to execute the transaction at a price consistent with the price range indicated on Bloomberg. BTL notes that the execution price is always consistent with the indications given by Bloomberg. Furthermore, a certain importance is given to the factors of probability of execution insofar as these instruments can prove to be illiquid. The speed of execution will also be of particular importance. BTL observes that the execution desk provides a satisfactory speed of handling insofar as it has access to several platforms and where it has an expertise in the execution of the order as well as a privileged access to liquidity. By definition, the OTC market includes bonds, derivatives and structured products. BTL does not deal with derivatives.

For structured products, the Bank selected recognised market players capable of offering coverage in terms of underlyings, quality of execution and monitoring. The Bank was obliged to acquire the structured products from a counterparty selected after a call for tenders and an analysis of the prices obtained. The Bank required the execution platforms (i.e. brokers with systematic internaliser status in this case) to commit to securing secondary market orders for structured products traded with them.

3 - Conclusion

The various data used by BTL in 2021 to assess the quality of implementation of its best selection / execution policy were diverse and of an internal or independent nature. They made it possible, after analyses by the BTL, to conclude that the services of the trading desk, provided by CIC Market Solutions, and of execution of the selected intermediaries, as well as the process of selection of execution platforms enabled us to meet the obligations of "best selection / best execution" put forward by BTL.