



*An FCA licensed Investment Firm (#720609)*

## **MERITKAPITAL UK LIMITED**

### **RTS 28 Report**

### **Assessment of Execution - Summary Statement**

### **(year ending 31<sup>st</sup> December 2018)**

30 April 2019

Authorised and regulated by the Financial Conduct Authority. (No.720609)

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## Explanatory statement

The Qualitative Assessment of Executive Summary Statement is published to provide clients with a summary of the analysis and conclusions MeritKapital UK Limited ('MeritKapital') drew from its detailed monitoring of the quality of execution obtained on the execution venues where it executed all client orders during the year 2018 covering a full year cycle.

MeritKapital has in place a Best Execution Summary Policy ('the Policy') which is available [here](#). The Policy is updated annually. The Policy applies to each of MeritKapital's clients, all who are categorised as professional.

MeritKapital urges its clients and potential clients to read the statement carefully as it contains information on the factors considered and on how MeritKapital executes orders to various execution venues when operating under the STP model (standing for segmentation, targeting and positioning) in relation to the asset classes of:

- (a) debt instruments; and
- (b) equities instruments.

The statement along with any accompanying tables will remain on the MeritKapital's website for at least two years post its publication.

The Policy is one of element of MeritKapital's overall framework for the delivery of best execution to its client. MeritKapital's best execution framework is illustrated below:

Best Execution					
Disclosure	Reporting	Risk Management Committee	Training	Procedures	Order Execution Policy
Top 5 Venue Reporting (quantitative) and qualitative assessment (RTS 28)	Internal and regulatory reporting, as require by regulation, contract (client) or policy.	Review analyse and challenge MeritKapital's best execution framework and reporting.	<p>Conflict of interest training</p> <p>One to One training, on-open line communication between Trader and Compliance surrounding best execution.</p>	Guides detailing methods for achieving best execution, on a per financial instrument class basis	MeritKapital's policy framework for achieving best execution

## Relative importance MeritKapital gives to execution factors

On execution of client orders, MeritKapital is required under the relevant regulatory framework to assign a relative importance on the following execution factors:

- (a) Price;
- (b) Cost;
- (c) Speed of Execution;
- (d) Likelihood of execution;
- (e) Likelihood of settlement;
- (f) Size of order;
- (g) Market Impact;
- (h) Nature of order.

During 2017, MeritKapital offered services to the following category of clients:

i. Professional Clients (including per-se Professional and elective Professionals)

For these clients, MeritKapital placed emphasis on price and execution costs, representing the price of the financial instrument and the costs related to execution, which include all expenses incurred by the client which directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order, as applicable.

## Execution venues and

MeritKapital's main execution venue was MeritKapital Ltd, a Cyprus regulated investment firm authorised by the Cyprus Securities and Exchange Commission with licence number CIF 077/06. MeritKapital further notes that it maintains a common ownership structure with the said execution venue.

Irrespective of the above, MeritKapital has in place robust mechanisms to both monitor and mitigate any and all conflicts of interest that may arise from its relationship with the said execution venue.

## Change of execution

MeritKapital did not change the list of execution venues and MeritKapital Ltd remains the main execution venue.

## Conflicts of interest

MeritKapital lists (non-exhaustive) the possible conflicts of interest it is facing (inclusive of conflicts of interest in relation to the execution venues it uses) as well as the relative mitigation measures in its [Conflicts of Interest Summary Policy](#).

MeritKapital maintains a common ownership structure with its primary execution venue, MeritKapital Ltd, Cyprus.

## Payments or non-monetary benefits (made or received) to/by Execution Venues

MeritKapital's arrangements with its execution venues stipulated that the MeritKapital neither paid nor received any monies or non-monetary benefits from said venues. MeritKapital generates its revenues from commissions and spreads paid by its clients upon initiating a trading order.

## Tools and data used

MeritKapital deployed several methodologies and tools in order to monitor, and where applicable adjust, its execution parameters in order to ensure consistency with its overarching obligation to offer the best possible result for its clients' orders. In broad terms MeritKapital monitors on an ongoing basis its execution arrangements by selecting appropriate samples of orders executed and evaluates the samples in accordance to the following dimensions:

### (a) Evaluating

MeritKapital's execution venues in accordance to the following:

- Pricing Frequency (price updates in real time);
- Speed of execution;
- Frequency and duration of price freezing;
- Depth of liquidity;
- Pricing transparency;
- Slippage frequency etc.

### (b) Price Fairness

Comparing independent prices relayed by independent market data providers with the prices quoted by its execution venues, as well as comparing prices between execution venues not listed in the company's execution venues list. For this purpose, MeritKapital has subscribed to independent price aggregators (such as Bloomberg, Thompson Reuters, etc.) and uses quarterly reports published by other Execution Venues that trade similar or identical financial instruments with those offered by MeritKapital.

### (c) Technological prowess

MeritKapital's systems (responsiveness of interface, lag, integration with the IT systems of the execution venues etc.).

## Reviews of execution monitoring - control functions

MeritKapital's brokerage department produces reports on a weekly/monthly/quarterly basis with the evaluation process described above (please refer to Section 6) and if actions are required liaise with MeritKapital's senior management for next steps.

MeritKapital's control functions (Compliance and Internal Audit) scrutinise the monitoring procedure conducted by the brokerage department and the actions taken by MeritKapital's senior management. MeritKapital's control functions present their findings to the Company's Board of Directors at least annually, for further scrutiny and action

## Disclaimer

MeritKapital UK Ltd (hereinafter, the "MeritKapital"), an Investment Firm authorised and regulated by the Financial Conduct Authority. (No.720609) is required to disclose to its clients under Regulation EU 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council regarding regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution. MeritKapital is registered at Office 4028, Wework, 1 Fore St Ave, Barbican, London. EC2Y 9DT

Top five execution venues for the year under review per asset class

1.1 Debt Instruments (Bonds)

Information on the top five execution venues during 2018 ( <u>Professional Clients</u> )					
Class of Instrument	Bonds				
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
MERITKAPITAL LIMITED 21380073P7J4PAD91E29	100%	100%			100%

\* For the year under review insufficient data exists to populate said columns.