

# Citadel Europe LLP

MiFID II RTS 28 Best Execution Disclosure

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

April 2018

**Quality of Execution Obtained on Execution Venues<sup>1</sup>**

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| <b>Firm</b>  | Citadel Europe LLP   |  |
| <b>Disclosure Period</b>   | 1 January 2017 to 31 December 2017   |  |
| <b>Publication Date</b>  | April 2018   |  |
| <b>Class of instrument</b>   | Exchange Traded Products – Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Commodities  |  |
|  | <b>Summary of Analysis</b>   | <b>Conclusion</b>  |
| <b>Execution factors</b>   | <p>The relative importance of the execution factors was determined by the following execution criteria:</p> <ul style="list-style-type: none"> <li>• the characteristics of the Citadel Fund</li> <li>• the characteristics of the order</li> <li>• the characteristics of the financial instrument to which the order related (e.g. Source ETFs or otherwise); and</li> <li>• the characteristics of the broker or trading venue/systematic internaliser/market maker/liquidity provider/ third country entity performing a similar function to which the order could be directed.</li> </ul> | <p>Given the liquidity of, and transparency for, these instruments the Firm considered price to be the most important execution factor when assessing quality of execution. Therefore in monitoring quality of execution for these instruments, the Firm has used slippage as a tool to consider whether best execution has been provided by the execution venues.</p>   |
| <b>Close links, conflicts of interest and common ownership with respect to execution venues<sup>2</sup></b>  | <p><b>Close links</b><br/>During the period under review certain orders were transmitted to the affiliate firm Citadel Advisors LLC to facilitate execution. These orders related to non-EMEA instruments.</p>   | <p><b>Close links</b><br/>This close link did not influence the Firm's selection of the execution venues as the Firm followed its Best Execution Policy and Conflicts of Interest Policy when selecting execution venues.</p>  |
|  | <p><b>Conflicts of interest</b><br/>The Firm has no conflicts of interest to report.</p>   | <p><b>Conflicts of interest</b><br/>Not applicable</p>   |
|  | <p><b>Common ownerships</b><br/>During the period under review certain orders were transmitted to the affiliate firm Citadel Advisors LLC to facilitate execution. These orders related to non-EMEA instruments.</p>   | <p><b>Common ownerships</b><br/>This common ownership did not influence the Firm's selection of the execution venues as the Firm followed its Best Execution Policy and Conflicts of Interest Policy when selecting execution venues.</p>  |
| <b>Specific arrangements with execution venues<sup>2</sup> regarding payments made or received, discounts, rebates or non-monetary benefits received</b> | <p>During the period under review payments were made to execution venues via dealing commissions in respect of research received and via direct payment in respect of corporate access received. In addition, business gifts and entertainments were received. No payments or rebates were received during the period under review, however in certain instances sliding commission scales based on daily monetary amount traded were available.</p>   | <p>The Firm followed its internal policies in line with its regulatory obligations in relation to these arrangements. No issues were noted in respect of these payments made or monetary and non-monetary benefits received. In addition these arrangements did not influence the Firm's selection of execution venues, as the Firm followed its Best Execution Policy and Conflicts of Interest Policy when selecting execution venues.</p> |

<sup>1</sup> This report has been produced in line with the requirements of the recast Markets in Financial Instruments Directive and Regulation (together, "MiFID II") and Regulatory Technical Standard ("RTS") 28, as implemented in the UK.

<sup>2</sup> For the purposes of this report, execution venue means broker, trading venue, systematic internaliser, market maker, liquidity provider and/or third country entity performing a similar function.

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| <b>Factors leading to a change in the list of execution venues<sup>2</sup> listed in the order execution policy</b> | <p>The list of execution venues referred to in the Firm's Best Execution Policy was changed during the period under review.</p> <p>The following factors led to such change:</p> <ul style="list-style-type: none"> <li>• available liquidity</li> </ul> <p>In addition, as a result of the ongoing monitoring of the quality of execution, the allocation of orders to the various execution venues changed throughout the period under review.</p> | <p>The factors leading to such changes were objective factors which were considered and applied by the Firm on an objective basis.</p> |
| <b>Differentiation across client categories</b>   | <p>All of the Firm's clients are professional clients.</p>   | <p>Not applicable</p>  |
| <b>Use of data / tools<sup>3</sup> relating to quality of execution</b>   | <p>The Firm has used the following data and tools relating to quality of execution during the period under review:</p> <ul style="list-style-type: none"> <li>• A regular internal calculation of slippage to consider the performance level of the execution venues.</li> <li>• A regular Broker Vote to consider the operational quality of the execution venues.</li> </ul>   | <p>These objective factors were considered and applied by the Firm on an objective basis.</p>  |
| <b>Use of consolidated tape provider output</b>   | <p>There were no consolidated tape providers during the period under review.</p>   | <p>Not applicable</p>  |

<sup>3</sup> For this report published in 2018, due to the lack of RTS 27 data made available by execution venues, only limited external data has been used by the Firm as anticipated by ESMA in their response to Q6 (p20) of the Q&A on Best Execution (ESMA 35-43-349). For the reports published in 2019 and onwards, RTS 27 data will be incorporated into the evaluation of quality of execution.

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