



NOMURA

Quality of Execution Report

(For calendar year 2019)

June 2020

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1. Introduction

The purpose of this document is to provide a summary of the analysis and conclusions Nomura, (Nomura Financial Products Europe GmbH (“NFPE”)), has drawn from its assessment of the quality of execution obtained on the execution venues where they have executed client orders during January to December 2019. This is in line with Nomura’s regulatory requirements as defined in Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2004/92/EC and Directive 2011/61/EU and in particular point (b) of the first subparagraph of Article 27(10).

2. Analysis and conclusions

2.1 Importance of execution factors

When executing orders on behalf of professional clients (as defined in MiFID II), Nomura took into consideration the following execution factors: price, costs, speed, likelihood of execution and settlement, size and the nature of the order. The most relevant factors for each trading desk in 2019 were:

1. **Flow Rates and Futures and Options** – price, speed and likelihood of execution.
2. **Foreign Exchange** – price, speed, liquidity and size.
3. **Flow Credit** - price, likelihood of execution, liquidity and size.
4. **Structured Products** - in most cases, price was the most important factor, but other factors such as size, speed, likelihood of execution and settlement and liquidity were also considered.
5. **Convertibles** – liquidity, speed, price and likelihood of execution.
6. **Flow ABS** – price, size and likelihood of execution.
7. **Equity Derivatives** – costs, liquidity and size.
8. **Equity Repo** – Asset quality, collateral taken, tenor and interest rate costs in the market.

The relevance of each factor depended upon the context of the order, market conditions, and:

1. The characteristics of the client
2. The characteristics of the client order
3. The characteristics of financial instruments that are the subject of that order
4. The characteristics of the execution venue to which that order was directed.

2.2 Disclosures

This section identifies any close links, conflicts of interests, and common ownerships with respect to any execution venues used by NFPE to execute orders. Nomura has close links with Instinet, the Equity execution arm of the Nomura Group, excluding Japan. Instinet operates as an independent stand-alone brand. For many non-equity asset classes Nomura (“NFPE”) was the main execution venue when Nomura is acting as Risk Principal or in a Riskless Principal capacity.

Nomura manages conflicts with respect to execution venues through the following: our Order Execution Policy, Conflicts of Interest Policy, Personal Account Dealing Rules and Business

Process Change Approval Policy. Nomura provided training to sales and trading personnel on these policies.

Nomura did not have any specific arrangements with the execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

2.3 Execution venues

Nomura provides a list of execution venues used for Rates, Credit, Foreign Exchange, Equity Derivatives and Listed Derivatives in its Order Execution Policy. The list contains the execution venues that Nomura uses for trading in a principal capacity and for routing transactions to hedge our principal exposure, to provide liquidity to clients or to execute client orders, where applicable.

2.4 Client categorisation

This section explains any differences in order execution according to client categorisation. The Best Execution obligation always applies to retail clients but Nomura did not and does not have permission to provide regulated products and services to retail clients. The obligation of Best Execution may be owed when Nomura accepts an instruction to execute a transaction on behalf of a client that Nomura has categorised as a professional client and who is deemed to be replacing legitimate reliance on the firm. Nomura considered the following factors in its assessment of legitimate reliance:

- **Which party initiates the transaction:** Where Nomura initiates a transaction; the client is more likely to rely on Nomura for Best Execution. Generally in the dealer driven markets such as Rates, Credit and FX the client initiated the transaction with quote requests or orders.
- **Market practice and the existence of a convention to shop around:** Where a client interacts with Nomura only, the client is more likely to rely on Nomura for Best Execution. Generally in dealer driven markets Nomura was in price competition.
- **Relative levels of price transparency:** Where there is price information asymmetry such that Nomura has better visibility of prices than the client, the client is more likely to rely on Nomura for Best Execution. In dealer driven markets clients were found to shop around and found to generally have greater visibility of quotes than Nomura.
- **Any information / documentation provided in relation to the service:** How Nomura has documented and communicated the relationship informs clients of the expectations with respect to Best Execution

The Best Execution obligation does not apply when dealing with a client Nomura has categorised as an eligible counterparty, either generally or for a particular transaction or type of instrument.

2.5 Use of data or tools

This section explains how Nomura has used any data or tools relating to the quality of execution. For non-equity products Nomura used market data, where available, to inform pricing. Nomura has processes in place to monitor the effectiveness of its Order Execution Policy and has a governance framework in place. Nomura did not make use of output of a consolidated tape provider during this period.