

Quality of Execution Report

(For calendar year 2020)

April 2021

STRICTLY PRIVATE AND CONFIDENTIAL

Copyright © 2021 Nomura

This document is the sole property of Nomura. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura.

1. Introduction

The purpose of this document is to provide a summary of the analysis and conclusions Nomura, (Nomura International plc (“NIP”) and Nomura Bank International (“NBI”)), 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 2020. 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 [as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018 (as that Act is amended from time to time)]

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 2020 were:

1. **Flow Rates and Futures and Options** – price, speed and likelihood of execution
2. **Flow Credit** - price, size and speed
3. **Foreign Exchange** - price, size and speed,
4. **Structured Products** - in most cases, price was the most important factor, but dependent on the situation 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** - price, 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 NIP and NBI 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. Nomura took cash equity order flow on behalf of Instinet under an agreement with Instinet and with the underlying clients. For many non-equity asset classes

Nomura (“NIP or NBI”) 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 Cash Equity products, trades that were executed for clients in a riskless manner were traded to markets using the Instinet algorithmic trading suite and smart order routing systems. This allowed for achievement of Best Execution outcomes through the Instinet product suite, as well as

post trade analytics for performance benchmarking. 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.