



## Annual Review of Execution 2017

HSBC Trinkaus & Burkhardt AG ('HSBC Germany') publishes an annual summary of the analysis and conclusions drawn from the detailed monitoring of the quality of execution obtained on the execution venues where the bank executed client orders in the previous year.

This summary report is based on analysis and conclusions from the year 2017 and covers the following financial instruments:

- Equities -  
Shares & Depositary Receipts
- Debt instruments
- Interest rates derivatives
- Credit derivatives
- Currency derivatives
- Structured finance instruments
- Equity derivatives
- Securitized derivatives
- Commodities derivatives
- Exchange traded products
- Other instruments

The information should be read together with the reports on the top five execution venues & brokers as well as our order execution policy, which can also be downloaded from our website ([www.hsbc.de/en-gb/legal-resources](http://www.hsbc.de/en-gb/legal-resources)).

### Monitoring of execution quality

HSBC Germany monitors adherence to the best execution principles and arrangements on a regular basis. The quality of execution is reviewed by a Best Execution Committee, which monitors the results of the internal controls & testings as well as customer complaints and decides if changes are necessary. During 2017, the controls did not identify major exceptions or detect significant deficiencies of our best execution arrangements. Overall, reasonable steps were taken to monitor the quality of execution and to achieve the best possible result for the clients on a consistent basis.

The execution quality of agency transactions is monitored through sample checks as well as analysis of the execution quality on trading venues. Principal transactions are subject to off-market rate checks and margin controls.

If HSBC Germany executes an order following specific instructions in regard to the execution venue and/or broker, its duty to achieve the best possible result is deemed to have been fulfilled in that regard. The vast amount of the traded volume in the top five execution venue & broker reports is based on these directed orders.

### a) Relative importance of execution factors

The relative importance HSBC Germany gave to the execution factors when assessing the quality of execution was based on the principles of the order execution policy. Thus, the following execution factors were taken into consideration when determining a specific execution venue:

- Price of the financial instrument
- Cost of execution
- Speed of execution

- Likelihood of order execution
- Size and nature of the order
- Speed and likelihood of settlement
- Other qualitative factors (e.g. Trading hours of execution venues, Counterparty risk, Order types and trade execution methods)

HSBC Germany considered that retail and professional client primarily want to achieve the best possible price – taking into account the total costs associated with the order execution. Execution venues on which the execution was likely to be timely and complete were also taken into consideration. The size and nature of the order were additional factors in this decision. Finally, the selection of the specific execution venue was based on the speed and likelihood of settlement, with consideration given to other qualitative factors such as clearing schemes or circuit breakers.

The relative importance HSBC Germany gave to the execution factors remained unchanged in the year 2017.

#### **b) Close links, conflicts of interest and common ownerships with respect to execution venues**

HSBC Germany, as part of the HSBC Group, has taken comprehensive organisational measures in order to identify and manage conflicts of interest. Further information can be found in the document “Principles for the Handling of Conflicts of Interest”.

The Bank did not have any substantial common ownerships with respect to execution venues that were used to execute orders in the year 2017. Representatives of HSBC Germany are members of the Exchange Councils of some German exchanges (e.g. Stuttgart Stock Exchange, Frankfurt Stock Exchange, Düsseldorf Stock Exchange and Eurex Exchange).

Due to the global business model, HSBC Germany has close links to other HSBC entities. HSBC Germany will often route agency orders that require execution on a foreign exchange to brokers within the HSBC Group, especially HSBC Bank plc (indirect majority shareholder of HSBC Germany) and HSBC Securities (USA) Inc. When executing orders through third-party brokers including affiliates, HSBC Germany chooses brokers in regard to their market access, execution quality, reputation as well as their Best Execution policy.

Principal transactions in bonds and derivatives, for which the bank does not operate a local market making desk, are primarily executed via back-to-back transactions with other HSBC legal entities, especially HSBC Bank plc and HSBC France SA.

#### **c) Specific arrangements with execution venues**

HSBC Germany did not have any special arrangements with execution venues regarding payments made or received and did not receive any special discounts, rebates or non-monetary benefits in the year 2017.

Standard payments in connection with the use of services by the execution venues or brokers (including HSBC affiliates) were in line with market terms. Intragroup payments, which HSBC Germany received as a result of back-to-back transactions with other HSBC entities, were made according to intragroup transfer pricing principles, which stipulate a remuneration at market terms.

#### **d) List of execution venues**

The list of execution venues was updated in 2017 and newly registered multilateral trading facilities (MTF) were added. In addition, a description of HSBC Germany’s role as a Systematic Internaliser (SI) in securitised derivatives, currency derivatives and certain interest-bearing securities (effective as from 3 January 2018) as well as the role of a SI within the HSBC Group was added.

#### **e) Order execution according to client categorisation**

The order execution policy is applicable to retail and professional clients. If a situation arises in which a professional client acts on its own initiative and requests a quote from the Bank for a specific financial instrument, then enters into a principal transaction on this basis and the client is able to compare terms from a number of investment services firms because of a high degree of transparency in the market concerned, HSBC Germany is generally not subject to best execution obligation. Within the scope of section 68 of the German Securities Trading Act, the execution policy is generally not applicable in regard to eligible counterparties.

#### **f) Prevailing execution factors**

The best possible result when executing retail or professional clients orders is determined in terms of the total consideration, represented by price and cost. No other factors were given precedence over these criteria.

#### **g) Use of data relating to execution quality**

Information relating to the execution quality is regularly reviewed in the Best Execution Committee. No external data relating to the quality of execution were used in 2017. Reports on the execution quality as published under Delegated Regulation (EU) 2017/575 2017 will first become available during the year 2018.

#### **h) Use of output of a consolidated tape provider**

HSBC Germany did not use any output of a consolidated tape provider as defined in section 59 of the German Securities Trading Act.