

Analysis of Swedbank's execution and transmission of client orders

Published in accordance with article 3.3 in the COMMISSION DELEGATED REGULATION (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution.

General information

The information in this section is relevant for all classes of financial instruments.

Swedbank has not executed or transmitted any client orders in the instrument classes Structured finance instruments, Commodities derivatives and emission allowances Derivatives, Contracts for difference or Other instruments during 2017. Hence, neither the reports published in accordance with the Swedish Securities Market Act, chapter 9 section 37 and the delegated regulation 2017/565 article 65.6, nor this summary of the analysis, covers client orders in such instruments.

Except in cases where the orders are executed with Swedbank as principle, there are no close links, conflicts of interests or common ownership with respect to any execution venues used to execute orders, or with respect to any of the brokers that Swedbank has transmitted orders to.

During 2017, Swedbank did not make or receive any payments, discounts, rebates or non-monetary benefits with respect to the execution venues used or the brokers that orders were transmitted to. Swedbank may however have received minor non-monetary benefits from such execution venues or brokers, such as general documentation and information regarding financial instruments or investment services, participation in conferences, seminars or other information events regarding characteristics of financial instruments or a specific investment service, and may have benefitted from representation up to a limited value in line with the regulation.

In November 2017 Swedbank discontinued transmitting and placing orders with Neonet Securities AB, since the company ceased its operations. In November Pareto Securities AB was added to the broker list, based on an evaluation of the firm's offering and prices. In July 2017 two of Swedbank's brokers, Virtu Financial, Inc. and KCG Holdings, Inc. merged under the name of Virtu Financial, Inc. No other changes were made to Swedbank's list of execution venues and brokers during 2017.

Swedbank has treated retail and professional clients in the same way when executing or transmitting client orders during 2017.

No data under the Delegated Regulation (EU) 2017/575 has yet been published and consequently no such data has been used for the analysis regarding the quality of order execution.

During 2017 no output of a consolidated tape provider has been available on the market; hence Swedbank has not used any such information.

Equities – Shares and Depositary Receipts

Factors relevant for order execution

Prioritization of Execution Factors:

1. Price
2. Likelihood of Execution
3. Size
4. Speed
5. Costs
6. Other Considerations

For these products, price is the single most important factor. If Swedbank considers there to be a risk of unwanted market impact in case a complete client order is sent at once, Swedbank splits the order into smaller fragments that are sent at different points in time. It is important to manage the order swiftly; Swedbank would only choose to postpone executing an order if the bank could assume that an order, due to its size, could have impact on the price on the relevant market.

Swedbank does not forward the execution venue costs to its clients; hence direct costs are not one of the prioritized execution factors.

When selecting a broker, Swedbank evaluates whether it can deliver the best possible result for the bank's clients. In this evaluation, we consider whether the firm itself is subject to Best Execution requirements or whether the firm will undertake to comply with the Best Execution requirements, and whether the firm can demonstrate that it delivers a high level of execution quality for the kind of orders that Swedbank places with or transmits to the firm.

The most important factors when selecting a broker are: the execution venue's market share, likelihood of execution, cost of execution and latency to the venue. Market coverage in multiple listed instruments is important, but the addition of a new execution venue must be considered in respect of possible enhancement of the quality of execution.

Debt instruments

Factors relevant for order execution

For these instruments, Swedbank transacts in a principal capacity; hence Swedbank has been the only execution venue.

Prioritization of Execution Factors for government bonds, covered bonds and money market instruments:

Liquid instruments

1. Price
2. Size
3. Speed
4. Likelihood of Execution
5. Costs
6. Other Considerations

Illiquid instruments

1. Size
2. Price
3. Likelihood of Execution
4. Speed
5. Costs
6. Other Considerations

Almost all of these instruments are liquid. Since it most of the time is possible to get a reasonable market price, the price is of major importance in the prioritization of execution factors.

Since Swedbank has been the only execution venue for these instruments, direct costs have not been relevant for the choice of execution venue.

Prioritization of Execution Factors for corporate bonds and other bonds:

Liquid instruments

1. Price
2. Speed
3. Size
4. Likelihood of Execution
5. Costs
6. Other Considerations

Illiquid instruments

1. Likelihood of Execution
2. Price
3. Size
4. Speed
5. Costs
6. Other Considerations

These instruments are mainly illiquid, with large denominations and long-term investments. The possibility for Swedbank to execute a transaction is dependent on the bank's market knowledge and market share. The likelihood of execution is consequently considered the most important factor for the illiquid instruments.

Since Swedbank has been the only execution venue for these instruments, direct costs have not been relevant for the choice of execution venue.

Interest rate derivatives

Factors relevant for order execution

For these instruments, Swedbank transacts in a principal capacity; hence Swedbank has been the only execution venue.

Prioritization of Execution Factors:

Liquid instruments

1. Price
2. Size
3. Speed
4. Likelihood of Execution
5. Costs
6. Other Considerations

Illiquid instruments

1. Size
2. Price
3. Likelihood of Execution
4. Speed
5. Costs
6. Other Considerations

The majority of these instruments are liquid. Swedbank's ability to offer a competitive price depends on the bank's risk capacity and the size of the relevant transaction.

Since Swedbank has been the only execution venue for these instruments, direct costs have not been relevant for the choice of execution venue.

Credit derivatives

Factors relevant for order execution

For these instruments, Swedbank transacts in a principal capacity; hence Swedbank has been the only execution venue.

Prioritization of Execution Factors:

Liquid instruments

1. Price
2. Size
3. Speed
4. Likelihood of Execution
5. Costs
6. Other Considerations

Illiquid instruments

1. Size
2. Price
3. Likelihood of Execution
4. Speed
5. Costs
6. Other Considerations

These instruments are priced based on the market liquidity. The majority of the products are liquid, in which case Swedbank's market knowledge and its relations to other market participants are important elements in the bank's ability to offer a competitive price.

Since Swedbank has been the only execution venue for these instruments, direct costs have not been relevant for the choice of execution venue.

Currency derivatives

Factors relevant for order execution

For these instruments, Swedbank transacts in a principal capacity; hence Swedbank has been the only execution venue.

Transactions in currency derivatives are executed across different trading mediums:

- As principal via Swedbank's voice trading facilities ("Voice Trading");
- As principal through Swedbank's single-dealer platform FX Trade

Prioritization of Execution Factors:

Liquid FX Forwards and FX Swaps via Voice Trading:

1. Price
2. Speed
3. Size
4. Costs
5. Likelihood of Execution
6. Other Considerations

Illiquid FX Forwards and FX Swaps via Voice Trading:

1. Size
2. Costs
3. Likelihood of Execution
4. Price
5. Speed
6. Other Considerations

FX Forwards and FX Swaps when a client uses FX Trade electronic platform:

1. Price
2. Size
3. Costs
4. Speed
5. Likelihood of Execution
6. Other Considerations

Liquid FX Options:

1. Price
2. Size
3. Speed
4. Likelihood of Execution
5. Costs
6. Other Considerations

Illiquid FX Options:

1. Size
2. Price
3. Speed
4. Likelihood of Execution
5. Costs
6. Other Considerations

As shown above, there are some differences in the prioritization of execution factors between liquid and illiquid currencies. The liquid currencies are the "G10 markets", i.e. the ten currencies with the largest volumes of transactions globally.

For the liquid currencies, Swedbank's ability to offer its clients a good price is of great importance. The price offered to clients varies per transaction and is, inter alia, dependent on the bank's hedging costs.

There are differences in the prioritization of factors among the different illiquid currencies, depending on the client and market demand for the respective currencies at each point in time.

What is considered a large trade, as well as the possibility to execute a trade swiftly, differs among the different illiquid currencies.

Since Swedbank has been the only execution venue for these instruments, direct costs have not been relevant for the choice of execution venue.

Equity derivatives

Factors relevant for order execution

Prioritization of Execution Factors:

1. Price
2. Likelihood of Execution
3. Size
4. Speed
5. Costs
6. Other Considerations

For these instruments, price is the most important factor. In order for Swedbank to be able to execute an order, there has to be a high likelihood of execution and the order should not have significant market impact. If these conditions are fulfilled, the order is executed as swiftly as possible.

Swedbank does not forward the execution venue costs to its clients; hence direct costs are not one of the prioritized execution factors.

When selecting a broker, Swedbank evaluates whether it can deliver the best possible result for the bank's clients. In this evaluation, we consider whether the firm itself is subject to Best Execution requirements or whether the firm will undertake to comply with the Best Execution requirements, and whether the firm can demonstrate that it delivers a high level of execution quality for the kind of orders that Swedbank places with or transmits to the firm.

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Securitized derivatives

Factors relevant for order execution

Prioritization of Execution Factors:

1. Price
2. Likelihood of Execution
3. Size
4. Costs
5. Speed
6. Other Considerations

For these products, price is the single most important factor. It is important to manage the order swiftly; Swedbank would only choose to postpone executing an order if the bank could assume that an order, due to its size, could have impact on the price on the relevant market.

Swedbank does not forward the execution venue costs to its clients; hence direct costs are not one of the prioritized execution factors.

Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)

Factors relevant for order execution

Prioritization of Execution Factors:

1. Price
2. Size
3. Speed
4. Costs
5. Likelihood of Execution
6. Other Considerations

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