

# Revolut

Quality of Execution Report 2019

Revolut Trading Ltd

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# 1. Introduction

Revolut Trading Ltd ('RTL', 'we', 'our' or 'us') is an Appointed Representative of Sapia Partners LLC which is authorised and regulated by the Financial Conduct Authority (number 550103). As such, it is subject to the EU's Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and the Commission Delegated Regulation (EU) 2017/565 (the "MiFID Org Reg"). RTL when providing the service of reception and transmission of orders, shall comply with the obligation under Article 24(1) of MIFID II, to act in accordance with the best interests of their clients when transmitting client orders to other entities for execution.

Under Article 65 of the MiFID Org Reg, and the FCA Handbook (specifically COBS 11.2A), RTL when selecting other firms to provide order execution services, it shall summarise and make public, on an annual basis, for each class of financial instruments, the top five investment firms in terms of trading volumes where it transmitted or placed Client orders for execution in the preceding year and information on the quality of execution obtained.

## 2. Objectives

When entering into a transaction with our retail clients ('Client' or 'you'), we will endeavour to achieve best execution in line with our Order Handling and Best Interests Policy.

This Annual Best Execution Disclosure is a summary of quality of execution obtained for 2019. It provides an annual summary of quality execution obtained for Clients of RTL and the top five investment firms in terms of trading volumes where we transmitted or placed Client orders for execution.

This Policy is published on Revolut's website and is updated on an annual basis.

## 3. Scope

This document is applicable to Clients who submit orders for execution through RTL in US stocks listed on the New York Stock Exchange (NYSE) and the Nasdaq Stock Market (NASDAQ) and fractional share components of such stocks ('fractional shares').

## 4. Summary

### 4.1 Securities, Third Party Broker and Execution Venues

Through the Revolut App, RTL offers its Clients execution-only access to circa 800 US stocks listed on the NYSE and the NASDAQ. As part of this process, Clients can determine whether to buy or sell a specific US stock or fractional share and submit orders. RTL then transmits received Clients order to a third party broker, DriveWealth, LLC, ("DW"). However, as per RTL's Order Handling and Best Interests Policy, Clients are not able select the execution venue or direct orders to a particular execution venue.

DW is a US broker-dealer registered with the Securities and Exchange Commission (SEC) and a member of Financial Industry Regulatory Authority (FINRA), with ability to provide liquidity and transparent pricing in US stocks.

### 4.2 Our approach

MiFID II Article 27(1) defines best execution as the obligation on firms to "take all sufficient steps to obtain the best possible result for their Clients...". RTL cannot guarantee that it will always be able to provide best execution of every order RTL transmits on behalf of its Clients. RTL's approach is focused on, in the best interest of the Client achieving the best possible overall results on a consistent basis, not merely best price for an individual order.

We endeavoured to take all sufficient steps to obtain the best possible result for you when transmitting your order for execution to DW taking into account relevant execution factors and execution criteria.

RTL takes all sufficient steps to achieve the best possible results for its Clients by verifying that RTL's order routing arrangements work well throughout different stages of the order execution process.

- This means that RTL applies an order handling process that is structured around order initiation, order routing to execution with the third party execution broker, DW.
- It includes arrangements to ensure intended outcomes can be successfully achieved on an on-going basis. For instance, this involves systems and controls with the aim to identify potential deficiencies.
- This also includes taking sufficient steps to ensure that DW has the necessary arrangements in place to allow RTL to comply with its Order Execution Policy, taking into account the execution criteria and execution factors.

Further to Article 64 of the MiFID Org Regulation, RTL took the following criteria into account when determining the relative importance of the best execution factors (those being price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order):

- the characteristics of the Client being retail;
- the characteristics of the Client order;
- the characteristics of financial instruments that are the subject of that order;
- the characteristics of the execution venues to which that order can be directed.

Under RTL's 'commission-free' (i.e. no commission charged) model and the fixed commission rate model, Clients are not directly exposed to variation in costs for an execution that RTL may incur due to participation on a particular execution venue or other costs that may be 'passed on' to RTL by DW or execution venues.

In light of RTL's 'commission-free model', and as a matter of policy, RTL considered that in the best interest of the Client the best possible result should be determined in terms of total consideration, representing the price of the financial instrument and the costs relating to execution. In determining the importance given to the other factors (speed, likelihood of execution and settlement, the size and nature of the order) RTL, together with DW, exercised its discretion in assessing the criteria that RTL needed to take into account to provide Clients with the best possible result. Such considerations included:

- the need for timely execution;
- availability of price improvement;
- the liquidity of the market and size of your order (which may make it more difficult to execute an order); and
- the potential impact on total consideration.

DW is a US registered broker dealer, a member of FINRA and SIPC. Under SEC regulation, broker dealers owe their clients a duty of best execution as a result of the anti-fraud provisions in the SEC Exchange Act of 1934. This duty requires broker dealers to seek to execute customer trades at the most favourable terms reasonably available under the circumstances.

Under our duty to act in the best interests of our Clients when receiving and transmitting orders to other entities for execution we considered DW's own duty of providing best execution under the SEC's 606 disclosure rules and FINRA rules 5310/20.

SEC rule 606 requires broker-dealers that route customer orders in equities to publish quarterly reports that provide a general overview of their routing practices. In these quarterly reports, the venues to which non-directed customer orders in US exchange-listed equity securities were routed for execution must be disclosed, as well as the nature of any relationship the broker-dealer has with each venue. The purpose of this report is to provide the public with information on how broker-dealers route orders, enable the evaluation of order routing practices and foster competition among market participants. Upon request, broker-dealers must also disclose to customers the venues to which their individual orders were routed.

Based on review of DW's 606 disclosures and comparison with other similar brokers over the 4th quarter of 2019, the venues most frequently executed were NYSE and NASDAQ.

DW monitors its trade routing through its Best Execution Committee, which reviews execution quality. DW is not an executing broker and all trades received by DW are automatically routed on an agency basis to another broker-dealer for execution.

FINRA rule 5310/20 requires firms to use reasonable due diligence when determining the best execution of customer orders.

Factors that impact this decision are considered by DW's Best Execution Committee, including the characteristics of the market for the securities traded, the size of the order, the speed of execution, the number of markets checked, terms and conditions of the order and the accessibility of the quotation.

As a practical matter, DW reviews its executing broker's practices in this regard and aims to ensure that adequate systems and controls are in place to comply with the provisions of the Rule and to ensure order handling for DW's customer orders is in line with expectations. In order to achieve this, DW receives daily and monthly reports from its executing brokers, which show the execution quality across a number of measures in order to determine whether best execution is being achieved. This review also considers the reasonableness of the executing brokers' arrangements, and the results of the review are used to determine and/or change DW's instructions as to how the executing broker should be routing DW's customer order flow.

DW only engages in principal trading for its own account to facilitate Client fractional share orders. SEC release no. 34-37619A notes the importance of the opportunity for price improvement regarding OTC and listed securities. DW has a system in place with regard to its fractional share arrangements that aims to ensure compliance with Reg NMS so that a customer obtains best execution (including being price improved) when DW fills an order in a dual capacity (agency and principal).

Based on the review of documentation, due diligence undertaken, and information available, RTL's selection of DW enables RTL to act in the best interest of its Clients in order to achieve the best possible results for its Clients on a consistent basis.

### 4.3 Conclusion

Based on RTL's due diligence undertaken by DW and its order handling and execution arrangements referred to above, RTL concluded that the use of one third party broker enables RTL to act in the best interest of its Client in order to achieve the best possible result for its Clients on a consistent basis. RTL noted the regulatory obligations of DW which it considers should provide the best possible result.

RTL believes that routing orders through one third party broker achieved results for its Clients that are at least as good as the results it could reasonably expect to obtain from using multiple third party brokers or execute directly on the execution venue.

## 5. 'Top Five' - Table

<b>Table 1: Top 5 Venue Analysis for Equities</b> (applicable to all Liquidity Bands)	
<b>Class of Instrument</b>	Equity

<b>Notification if &lt; 1 average trade per business day in the previous year</b>	N				
<b>Top five execution venues ranked in terms of trading volumes (descending order)</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of orders executed as percentage of total in that class</b>	<b>Percentage of directed orders</b>	<b>Percentage of aggressive orders</b>	<b>Percentage of directed orders</b>
DriveWealth LLC	100%	100%	N/A	N/A	N/A

You can access the 'Top Five' - Table in a downloadable format on our website.

<b>Table 1: Top 5 Venue Analysis for Fractional Shares (applicable to all Liquidity Bands)</b>					
<b>Class of Instrument</b>	Other (fractional shares)				
<b>Notification if &lt; 1 average trade per business day in the previous year</b>	N				
<b>Top five execution venues ranked in terms of trading volumes (descending order)</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of orders executed as percentage of total in that class</b>	<b>Percentage of directed orders</b>	<b>Percentage of aggressive orders</b>	<b>Percentage of directed orders</b>
DriveWealth LLC	100%	100%	N/A	N/A	N/A

You can access the 'Top Five' - Table in a downloadable format on our website.

As regards our relationship with DW:

- RTL has no common ownership with DW or any trading venue that they use;
- DW as the sole broker/venue has not informed us of any material changes to their best execution policy.

## 6. External Requirements

FCA Handbook: COBS 11.2A Best execution – MiFID provisions  
Markets in Financial Instruments (MiFID II) - Directive 2014/65/EU, Article 24  
Commission Delegated Regulation (EU) 2017/565, Article 65