

# Julius Bär

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## QUALITY OF EXECUTION REPORTING BANK JULIUS BAER & CO. LTD.

### INTRODUCTION

The revised Markets in Financial Instruments Directive (“MiFID II”), in particular its Art. 27 (6), as well as the Commission Delegated Regulation (EU) 2017/576 (“RTS 28”) require banks to publish a report that enables their clients and the public in general to evaluate their quality of execution practices. Though, being a licensed Swiss bank and an entity regulated and supervised by the Swiss Financial Market Supervisory Authority, to which the provisions of MiFID II are not directly applicable, Bank Julius Baer & Co. Ltd. (hereinafter “the Bank” or “Julius Baer”) is in line with this standard. Hence, this quality of execution report sets out information in relation to the analysis and conclusions drawn from the Bank’s annual execution review.

This report should be read in conjunction with the Bank’s Best Execution Policy (“Best Execution and Order Handling Disclosure Statement”) which is available on the Bank’s [website](#).

Your relationship manager is at your disposal for further information or any additional questions.

### BEST EXECUTION FACTORS

As described in the Bank’s Best Execution Policy, when executing or transmitting client orders, Julius Baer will take all sufficient steps to achieve the best possible result for its clients taking into account the execution factors relevant to the order. A detailed determination of the relative importance (priority) of best execution factors per class of financial instruments can be found in the Bank’s Best Execution Policy. Nonetheless, on a case by case basis and subject to any specific client instructions, the Bank may prioritize one or more of the execution factors differently and this may result in different permissible approaches used by the Bank on a per-order basis. For example, in markets where there is insufficient available liquidity, the importance of the likelihood of execution may increase. While in markets where volatility is high, the speed of execution may potentially be more important. Moreover, the Bank reserves the right to intervene in the execution of such orders which could result in adverse market impact (e.g. large orders).

Julius Baer takes into consideration the following execution factors to determine the best possible result for its clients:

- **Price** – this is the price a financial instrument is executed at;
- **Cost** – this includes implicit costs such as the possible market impact and explicit external costs, e.g. Execution Venue or clearing and settlement fees and explicit internal costs (the Bank’s own commissions and fees);
- **Speed** – time it takes to execute a client transaction;
- **Likelihood of execution and settlement** – the likelihood that the Bank will be able to complete a client transaction;
- **Size** – this is the size of the transaction executed for a client, accounting for how this affects the price of execution;
- **Nature** – of the transaction or **any other consideration** relevant to the execution of the transaction. This is how the particular characteristics of a client transaction can affect how best execution is achieved.

Some of the above factors are considered to be more important than others. Their relative importance may vary, taking into account the following criteria:

- **Characteristics of a client order**  
e.g. order size or type (e.g. limit order);
- **Financial instrument** that is subject to the transaction – e.g. asset class;
- **Execution venue** to which an order can effectively be directed;
- **Characteristics of a client** – Julius Baer does not distinguish between Retail and Professional Clients regarding the order handling. The Bank ensures that all orders are handled and executed in accordance with the requirements applicable to Retail Clients.

In most cases, the price of the financial instrument and costs relating to execution of the order (total consideration) will merit the highest relative importance in obtaining the best possible result. However, the overall value to a client of a particular transaction may be affected by other factors. The

Bank may in specific cases place a higher importance to other execution factors than price and costs for obtaining the best possible result in accordance with its Best Execution Policy.

**EXECUTION VENUE**

A list of the Execution Venues, most frequently used by the Bank, specifies the Execution Venues for each class of financial instruments. This list is published via a separate document “Bank Julius Baer Execution Venues“on the Bank’s [website](#). This list is not exclusive, but comprises Execution Venues on which the Bank places permanent significant reliance. However, the Bank reserves the right to use other Execution Venues, where it deems appropriate, in accordance with its Best Execution Policy and may add or remove any Execution Venues to/from this list. Julius Baer regularly, at least annually, assesses the Execution Venues that are available and may update the list from time to time.

**Execution Arrangement Review Process & Review Factors**



**Arrangement Review Factors**

| Main categories             | Arrangement Review Factors  | Description   |
|-----------------------------|-----------------------------|---|
| Quantitative Review Factors | Transaction Costs           | In its assessment, the transaction costs, such as Execution Venue Fees, Broker Commissions, Tax and Stamp Duties, given that such costs are documented separately from the trade price for some classes of financial instruments, are considered.   |
|                             | Price Execution             | In addition to the service costs, the actual paid execution price must be included in the total cost consideration.   |
|                             | Other Quantitative Criteria | The implied costs (such as shortfall, average spread or market liquidity) may be taken into consideration, but are optional criteria within a quantitative assessment.  |
| Qualitative Review Factors  | Regulatory Compliance       | Only Execution Venues which are regulated, licensed or supervised by an official governmental or self-regulatory authority or trade association in a jurisdiction with an equivalent regulatory environment as Switzerland, and which have a similar understanding concerning Best Execution principles according to MiFID II, are admitted for assessment. |
|                             | Transparency & Reporting    | The Execution Venues have to provide execution and monitoring reports to the Bank. These reports must give insight into the Execution Venues’ execution arrangements and optimization processes. Such reports need to be provided by the initial approval of the Execution Venue or upon request. Moreover, execution details on a random sample of orders  |

|                            |   |
|----------------------------|---|
|                            | places with the Execution Venue need to be provided if requested by the Bank.   |
| Other Qualitative Criteria | The sole discretion to take optional criteria (such as order routing, delivery versus payment settlement, or breach handling in case of violation of Best Execution) or any additional criteria into consideration lies with the Committee, which shall also consider the general reputation of an Execution Venue in the market. |

**Conflicts of Interest**

With regard to the Bank’s yearly review of its Best Execution Arrangements and Policy, the Bank’s Best Execution Committee did not identify any conflicts of interests that could influence the order process in any case.

**Close links within Julius Baer Group**

Close links are given for the execution of financial instruments that are listed in Asia. For those instruments the Bank is routing its order flow via Bank Julius Baer Singapore (“BJB Singapore”), a subsidiary of the Bank. However, BJB Singapore is treated like any other broker within the Bank’s broker network and has to fulfil the same kind of best execution criteria as any other counterparty the Bank is working with.

**Close links associated with third parties**

Julius Baer has close links to SIX Group Ltd. (SIX), since the Bank is one of its shareholders. However, SIX is owned by over 100 domestic and international financial institutions, which are the users of its services. Consequently, Julius Baer does not gain any advantages over other financial institutions due to this relationship.

Julius Baer does not have any specific arrangements with any execution venues in place that would entitle the Bank to receive any payments, discounts, rebates or other non-monetary benefits.

**Changes in Execution Venues**

No changes occurred.

**BEST EXECUTION & FAIR PRICE MONITORING PER ASSET CLASS**

**Equity & Equity-Like Instruments**

**Monitoring Data & Tools**

Julius Baer implemented a dedicated system to monitor its execution arrangements in regards of best execution and fair pricing. The Best Execution

monitor is based on a sample analysis that is representing a 95% confidence level with a statistical error volatility of max. 5%. For best execution monitoring the Bank observes the execution prices compared to observed execution prices in the market. Deviations which are not in a predefined range will be analyzed in detail and could lead in potential action tasks and optimization measures.

**Summary result**

The monitor results showed that the arrangements that were chosen by Julius Baer are effective and efficient in regards of fulfilling best services for the clients’ intersts.

**Action required & nest steps**

Based on the Best Execution monitors the Bank performed, the Bank’s Best Execution Committee confirmed to achieve best execution in the clients’ best interest on a consistant basis. The Best Execution Committee will include the actual monitor in the yearly arrangement review process.

**Fixed Income Instruments**

**Monitoring Data & Tools**

Julius Baer implemented a dedicated system to monitor its execution arrangements in regards of best execution and fair pricing. The Best Execution monitor is based on a sample analysis that is representing a 95% confidence level with a statistical error volatility of max. 5%. For best execution monitoring for Fixed Income execution the Bank constantly observes dedicated transactions and process parameters to guarantee an optimized process and the best service for its clients. Deviations which are not in a predefined range will be analyzed in detail and could lead in potential action tasks and optimization measures.

**Summary result**

The monitoring shows that the actual best execution processes are efficient and effective. The monitoring

results correspond to the expectations and confirm the high quality execution process.

#### **Action required & next steps**

Based on the Best Execution monitors the Bank performed, the Bank's Best Execution Committee confirmed to achieve best execution in the clients' best interest on a consistent basis. The Best Execution Committee did not determine any required action based on the actual monitoring result.

#### **FX Derivatives**

##### **Monitoring Data & Tools**

Julius Baer implemented a dedicated system to monitor its execution arrangements in regards of fair pricing. The Fair Price monitor is based on a sample analysis that is representing a 95% confidence level with a statistical error volatility of max. 5%. Deviations which are not in a predefined range will be analyzed in detail and could lead in potential action tasks and optimization measures. Next to the inhouse monitor, an independent external monitoring provider ensures fair pricing.

#### **Summary result**

The monitoring shows, that clients' instruments are based on a fair and market consistent price on a consistent basis.

#### **Action required & next steps**

Based on the Fair Price monitors the Bank performed, the Bank's Best Execution Committee confirmed to achieve best execution in the clients' best interest on a consistent basis. The Best Execution Committee did not determine any required action based on the monitoring results.

#### **Securitized Derivatives**

##### **Monitoring Data & Tools**

Julius Baer implemented a dedicated system to monitor its execution arrangement in regards of fair pricing. The Fair Price monitor is based on a sample analysis that is representing a 95% confidence level with a statistical error volatility of max. 5%. Deviations which are not in a predefined range will be analyzed in detail and could lead to potential action tasks and optimization measures. Next to the inhouse monitor, an independent external monitoring provider ensures fair pricing.

#### **Summary result**

The monitoring shows, that clients' instruments are based on a fair and market consistent price on a consistent basis.

#### **Action required & next steps**

Based on the Fair Price monitors the Bank performed, the Bank's Best Execution Committee confirmed to achieve best execution in the clients' best interest on a consistent basis. The Best Execution Committee did not determine any required action based on the monitoring results.

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#### **CONTACT**

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