



# BUX Zero

## Best Execution Evaluation

### 2019

Date: 30 May 2020

Version 1.0

BUX B.V. is a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid) with its statutory seat in Amsterdam, the Netherlands, registered with the Trade Register of the Dutch Chamber of Commerce in Amsterdam under number 58403949. BUX B.V. is authorised as an investment firm and supervised as such by the Dutch Authority for the Financial Markets (AFM).

## 1.1 Mifid II

Article 27 of the MiFID II Directive states that an investment firm (in this case BUX B.V.) must take all sufficient steps to obtain the best possible result for its client when executing a client order (best execution). This applies to executing orders on behalf of clients but also to receiving and transmitting orders on behalf of clients to a third party, such as ABN AMRO Clearing Bank NV. In order to transparently inform their clients about this, BUX has established an “Order Execution Policy” that is publicly available on their website: <https://getbux.com/bux-zero/>. To ensure the ongoing effectiveness of this Order Execution Policy and its execution framework, both are reassessed and reviewed on an annual basis.

According to MiFID II and Commission Delegated Regulation (EU) 2018/576 as of January 3<sup>rd</sup> 2018, BUX is required to publish for each class of financial instruments a summary of the analysis and conclusions drawn from the detailed monitoring of the quality of execution obtained on the execution venues where BUX has executed client orders in the previous year. For the top five execution venues, there are two types of reports.

- One that entails the orders executed directly by BUX on behalf of their clients (direct).
- One that entails the received and transmitted orders to and from an execution broker by BUX on behalf of their clients (indirect).

Both these reports will be freely accessible on BUX Zero’s website.

From mid September until the end of 2019, BUX has acted as an introducing broker and did not execute any orders itself. All BUX orders were received and transmitted to an executing broker.

## 1.2 Direct and indirect order execution reports

The direct order execution report lists BUX’s top five execution venues in terms of trading volumes for all orders (per class of financial instruments) that the firm has executed during 2019, both: (1) directly on a trading venue (i.e. as a member of or participant in that venue); or (2) on an OTC basis directly with a counterparty (e.g. a Systematic Internaliser). The data relating hereto is provided in the “Executing Venue Report 2019”.

The indirect order execution report lists BUX’s ZERO top five brokers in terms of trading volumes for all transactions during 2019 that BUX has executed by placing orders with a third party (e.g. a broker) for that other entity to execute orders on behalf of BUX. The data relating hereto is provided in the “Executing Broker Report 2019”.

In the Executing Broker Report 2019 and the Executing Venue Report 2019 investors and clients can also find information on the percentage of total orders executed in the financial instrument class per venue and the ratio between passive and aggressive orders. A passive order is not instantly executable and therefore rests in the order book until hit, whereas an aggressive order is always immediately executable.

## 1.3 Definition of financial instrument class

According to ESMA, the definition of a 'class of financial instruments' should be narrow enough to reveal the differences in order execution behavior between classes, but at the same time broad enough to ensure that the reporting obligation on BUX is proportionate. Given the breadth of the equity class of financial instruments, it is appropriate to divide this class into subclasses based on liquidity. As liquidity is an essential factor governing execution behaviors and as execution venues are often competing to attract flows of the most frequently traded stocks, it is appropriate that equity instruments are classified according to their liquidity as determined under the tick size regime as set out in MIFID II. ESMA has identified 22 (sub) classes of financial instruments. All classes of financial instruments applicable to BUX can be found below:

Subclass (a) Equities - Shares & Depositary Receipts:

- i. Tick size liquidity bands 5 and 6 (from 2 000 trades per day)
- ii. Tick size liquidity bands 3 and 4 (from 80 to 1 999 trades per day)
- iii. Tick size liquidity band 1 and 2 (from 0 to 79 trades per day)

## 1.4 Best Execution Factors

In order to provide Best Execution, BUX takes several execution factors into account to obtain the best possible result for clients. Factors that BUX takes into consideration to achieve the best execution consist of but are not limited to:

- The price at which the client order can be executed;
- The costs of executing the client order;
- The speed at which the client order can be executed;
- Likelihood of execution;
- Post-trading, clearing and settlement;
- The size of the client order;
- The type of order.

When executing orders on client's behalf or receiving and transmitting orders to third parties, BUX focuses primarily on price and costs (ranking of execution factors). All other factors are generally given equal weighting. To enhance execution quality for certain markets and instruments a smart order router (SOR) is available with our third-party execution broker.

## 1.5 Best Execution Factors

The Order Execution Policy of BUX is applicable for all clients who are classified as retail or professional clients. All client orders are handled equally regardless of client categorization.

The execution method depends on the type of order, the venue and the type of Financial Instrument. Accepted Orders always run through the system via a single sequential process. This means that there is always a sequence in the execution of the Orders. Orders are processed in order of receipt,

in accordance with the following steps. For orders of the same Order type the 'first in, first out' (FIFO) order of priority applies. An exception is made for the ZERO orders. These orders are aggregated and sent one time per day. It should be noted that the Order Execution Policy does not apply to (the part of) an Order with which the client has issued specific instructions, called a directed order.

## 1.6 Execution Venue Review

BUX will always try to obtain the best order execution available on the venues that are accessible by BUX. When executing orders on behalf of the clients or receiving and transmitting orders to a broker it might route orders to Regulated Markets (RMs), Multilateral Trading Facilities (MTFs) and to Systematic Internalisers (Sis).

With respect to review of the current venue types, or when deciding to add new venues types, BUX takes in consideration factors such as the availability of best pricing, additional liquidity, market data costs and obligations and costs related to the of place execution (including connection costs for the venue of execution and the connected clearing and settlement infrastructure, execution fees, fees related to the submission, modification or cancellation of orders and any other fees involved), and trading hours.

All offered venue types are evaluated at least annually, or when a material change occurs, by the Operations team of BUX to ensure the specific venue types are still in line with the clients' needs and best interests. In addition, trading venues not yet offered are under (periodical) review to see if they can add value to BUX's service and offering. BUX realizes that the landscape of execution venues is very fragmented and is therefore constantly looking for new execution venues to be added to the current offering. BUX started offering brokerage services in September 2019. No new execution venues were added or removed throughout the remaining year.

## 1.7 Third party brokers

When BUX makes use of a broker it will only do so with highly recognized parties and perform the proper due diligence necessary. BUX will look at, including but not limited to, factors such as the Best Execution Policy, a well-established reputation, market coverage, settlement factors, execution costs and connectivity.

All current and potential new third parties are checked against these criteria to verify if they are in line with the high standards of BUX and with the best interest of the clients in mind. BUX will review the third parties it has a significant relationship with at least annually or more often when it seems fit to do so. This way BUX can ensure the quality and appropriateness of the execution arrangements and policies in place.

BUX has used the following execution venues through membership of ABN AMRO Clearing BANK N.V:

- CBOE BATS
- CBOE Chi-X

BUX used the following executing brokers:

- ABN AMRO Clearing BANK NV

BUX has deemed the level and quality of execution and services provided by above brokers as sufficient and satisfying.

## 1.8 Monitoring framework and tools used related to the quality of execution

BUX is required to monitor on a regular basis the effectiveness of its Order Execution Policy, the quality of the executions generated via its own memberships and the executions generated via third party brokers and the execution venues used. BUX has implemented checks and balances to ensure execution quality analysis is done in proportionate fashion.

The frequency of monitoring (daily, monthly, yearly) depends on the financial asset class and market traded. For orders that are routed via a third-party broker using a smart order router BUX has to partly rely on the execution effectiveness of the third party. For this reason, BUX only uses highly recognized external brokers for the transmitting of orders. In addition, BUX has strict agreements with these parties and monitors if these parties live up to these agreements. This is done by external party quality reports which are available in 2020. If any anomalies are detected BUX will make sure sufficient steps are taken to remedy it as quickly as possible.

The review of 2019 has shown satisfactory results, nonetheless, it is the duty of BUX to further enhance the quality of its order execution where possible.

The monitoring methodology is at the discretion of BUX. As monitoring every transaction or a very large number of transactions would be disproportionate, other approaches, such as appropriate methodologies for sampling, are considered as common practice. Where possible we will use sampling to assess Best execution. Monitoring may include comparing similar transactions:

- On the same execution venue or with the same entity, in order to test whether BUX judgement about how orders are executed is correct, and/or;
- On different execution venues or entities chosen from the ones stated in the Best Execution Policy, in order to test whether 'best' execution has been achieved on the venue or entity for a given type of transaction. BUX is required to monitor on a regular basis;
- The execution quality and the performance of the entities selected to execute the orders;
- The effectiveness of its execution policy at least annually;

## 1.9 Conflicts of interest

BUX offers its services based on the 'Execution Only' principle. BUX has only received and transmitted orders on behalf of its clients and has never executed any orders on any execution venue on behalf

of their clients directly. BUX has no specific arrangements with execution venues related to rebates or monetary benefits. BUX has no ownership in the execution venues used.

## 1.10 Close links, conflicts of interest, and common ownerships with respect to any execution venues used to execute

BUX does not have any close links, conflicts of interest or ownership with respect to any of the venues used to execute.

## 1.11 Quality of execution statement

Regulatory Technical Standard 28 Article 3(3), Directive 2014/65/EU (hereinafter MiFID II). The following report is a summary of the analysis and conclusions BUX has drawn from the detailed monitoring of the quality of execution obtained on the execution venues and through brokers for all client orders executed in the previous year.

BUX: The report provides a general summary covering all asset classes for which a Top 5 of execution venues is published. These can be found after the Quality of execution statement.

### **A. What relative importance did BUX give to the Execution Factors including, but not limited to price, costs, speed, and likelihood of execution when assessing the quality of execution?**

*BUX always strives to offer her clients the best execution possible. This requires a careful consideration of weighing different execution factors, such as cost, price, speed and likelihood of settlement and execution. For all our clients and especially for our retail clients, we deem the factors of price and cost of the highest importance.*

### **B. Did BUX have any close-links, conflicts, or common ownerships with respect to any execution venues used to execute orders?**

*BUX did not have any close-links, conflicts, and/or common ownerships with respect to any execution venues used to execute orders. BUX took reasonable care not to discriminate between execution venues other than on the basis of the Execution Factors relevant to the order concerned.*

### **C. Did BUX have any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received?**

*BUX did not have any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.*

**D. What venues did BUX access and did any factors lead to a change in the list of execution venues listed in the firm's execution policy?**

- CBOE BATS
- CBOE Chi-X

*BUX started to offer services in September 2019. No new execution venues were added in 2019.*

**E. Did order execution differ according to client categorization and if so where may it have affected the order execution arrangements?**

*No, BUX does not differ in order execution per client classification. Under MiFID II, BUX is required to put in place an order execution and handling policy (MiFID II order execution policy) and to take all sufficient steps to obtain the best possible result (best execution) either when executing client orders or receiving and transmitting orders on behalf of its retail clients, and it extends the same treatment to its professional clients.*

**F. When and why might other criteria have been given precedence over immediate price and cost when executing retail client orders and how would these other criteria have been instrumental in delivering the best possible result?**

*Not applicable*

**G. How has BUX used data or tools in relation to the quality of execution, including data published by execution venues under RTS 27?**

*BUX has performed a transaction cost analysis for certain markets to determine execution quality. Furthermore BUX performs a quarterly check on a sample of orders in different asset classes to assess the quality of order execution received via our suppliers.*

**H. How have BUX used output of a consolidated tape provider or any other algorithms to optimise and assess execution performances (where available)?**

*There was no consolidated tape provider established under Article 65 MiFID II and therefore other data sets and algorithms to optimize and assess execution were used. BUX will continue to monitor for any development of the consolidated tape service in Europe.*

# 2019

## Execution Broker Report 2019

### Class of Instrument Equities-Shares & Depositary Receipts-Tick Size liquidity bands 5-6 from 2000 trades per day

Less than average 1 trade per business day	N				
Top 5 execution venues in terms of trading volume	Proportion of volume traded as a %	Proportion of orders executed as %	% of passive orders	% of aggressive orders	% of directed orders
ABN AMRO Clearing Bank NV	100%	100%	6,58%	93,42%	0%

### Class of Instrument Equities-Shares & Depositary Receipts-Tick Size liquidity bands 3-4

Less than average 1 trade per business day	N				
Top 5 execution venues in terms of trading volume	Proportion of volume traded as a %	Proportion of orders executed as %	% of passive orders	% of aggressive orders	% of directed orders
ABN AMRO Clearing Bank NV	100%	100%	7,01%	92,99%	0%

### Class of Instrument Equities-Shares & Depositary Receipts-Tick Size liquidity bands 1-2

Less than average 1 trade per business day	N				
Top 5 execution venues in terms of trading volume	Proportion of volume traded as a %	Proportion of orders executed as %	% of passive orders	% of aggressive orders	% of directed orders
ABN AMRO Clearing Bank NV	0%	0%	0%	0%	0%

# 2019

## Execution Venue Report 2019

### Class of Instrument Equities-Shares & Depository Receipts-Tick Size liquidity bands 5-6 from 2000 trades per day

Less than average 1 trade per business day	N				
Top 5 execution venues in terms of trading volume	Proportion of volume traded as a %	Proportion of orders executed as %	% of passive orders	% of aggressive orders	% of directed orders
Not applicable	0%	0%	0%	0%	0%

### Class of Instrument Equities-Shares & Depository Receipts-Tick Size liquidity bands 3-4

Less than average 1 trade per business day	N				
Top 5 execution venues in terms of trading volume	Proportion of volume traded as a %	Proportion of orders executed as %	% of passive orders	% of aggressive orders	% of directed orders
Not applicable	0%	0%	0%	0%	0%

### Class of Instrument Equities-Shares & Depository Receipts-Tick Size liquidity bands 1-2

Less than average 1 trade per business day	N				
Top 5 execution venues in terms of trading volume	Proportion of volume traded as a %	Proportion of orders executed as %	% of passive orders	% of aggressive orders	% of directed orders
Not applicable	0%	0%	0%	0%	0%

