



RTS 28 Disclosure – Qualitative Data –
April 2020



Introduction

The Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) requires investment firms who execute client orders to summarise and make public on an annual basis, for each class of financial instruments, the top five execution venues in terms of trading volumes where they executed client orders in the preceding year and information on the quality of execution obtained. In addition, MiFID II establishes that investment firms placing orders with other entities for execution (i.e. indirect execution) are required to 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. Furthermore, investment firms shall publish the top five execution venues in terms of trading volumes for all executed client orders in securities financial transactions (“SFTs”). MiFID II requires that the information by investment firms in this regard is published on their websites in a machine-readable electronic format and available for downloading by the public.

The information that Essencia Capital LLP (“Essencia” or “the Firm”) has provided in this RTS 28 Disclosures Qualitative Data Report (the “Qualitative Report”) is designed to satisfy the Firm’s obligations under MiFID II in relation to the annual publication of information on the quality of execution. This Qualitative Report should be read in conjunction with Essencia’s RTS 28 Disclosures Quantitative Data Report (the “Quantitative Report”) which is designed to satisfy the Firm’s obligations under MiFID II in relation to the annual publication of information on the identity of execution venues.

Explanatory Notes

It is important that the following information is noted:

- The disclosures in the Quantitative Report and Qualitative Report cover the 2019 calendar year (the “Period”);
- The Firm only deals with professional clients. It does not deal with retail clients;
- The Firm only places orders with other investment firms (i.e. brokers) for execution (i.e. indirect execution);
- Where the Firm places orders with other investment firms, these may be referred to as Essencia’s “execution venues” in the Quantitative Report and Qualitative Report; and
- The Firm did not place any orders where a specific execution venue was specified by the client prior to the execution of the order (i.e. directed orders) during the Period.

RTS 28 Disclosures Qualitative Data Report

This Qualitative Report is being made pursuant to Article 3(3) of RTS 28 and/or Article 65(6) of the MiFID II Delegated Organisational Regulation, which require Essencia to disclose, for each class of financial instruments traded for clients during the period, a summary of the analysis and conclusions drawn from the execution quality monitoring that the Firm has undertaken. This disclosure covers the classes of financial instruments that were traded during the Period.

An explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution

The objective of execution is to obtain the best possible result for clients on a consistent basis. To achieve this, Essencia considers a range of quantitative and qualitative factors to determine whether the chosen execution venue is appropriate. These factors include, but are not limited to, the following:

- price;
- costs;
- speed of execution;
- likelihood of execution and settlement;
- the characteristics of the order (including size, nature, financial instruments and execution venues available to Essencia); and
- other relative factors.



The relative importance of these factors is considered on a trade-by-trade basis. However, it is noted that Essencia typically trades highly liquid financial instruments where price transparency and likelihood of execution and settlement is extremely high. It is also noted that, given the current nature and scale of Essencia's business activities, the Firm has access to a limited number of execution venues/brokers.

Equities – Shares and Depositary Receipts

Equity transactions are passed to brokers who have access to the relevant exchanges or other venues for execution. Given the highly liquid nature of the equity transactions which Essencia enters in to and the price transparency, speed tends to be an important execution factor. Notwithstanding, Essencia also ensures that the brokers selected for execution are able to provide price, cost and speed of execution that is at least as good as the results that Essencia could reasonably expect from using alternative execution venues.

Debt Instruments

Debt instrument transactions are passed to brokers who have access to the relevant exchanges or other venues for execution. Given the highly liquid nature of the debt instrument transactions which Essencia enters in to, price tends to be an important execution factor. Notwithstanding, Essencia also ensures that the brokers selected for execution are able to provide price, cost and speed of execution that is at least as good as the results that Essencia could reasonably expect from using alternative execution venues.

Contracts for Difference (“CfD”)

CFD transactions are generally passed to brokers who have access to the relevant exchanges or other venues for execution. Given the highly liquid nature of the CfD transactions which Essencia enters in to and the price transparency, speed tends to be an important execution factor. Notwithstanding, Essencia also ensures that the brokers selected for execution are able to provide price, cost and speed of execution that is at least as good as the results that Essencia could reasonably expect from using alternative execution venues.

It should be noted that, in accordance with the rules in relation to best execution, where there is a specific instruction from a client, Essencia must execute orders in line with the specific instruction. Where Essencia executes orders in line with specific instructions from its client(s), the Firm is deemed to have satisfied its best execution obligations. Essencia did not receive any specific instructions in relation to the use of broker from a client during the Period.

A description of any close links, conflicts of interests, and common ownerships with respect to any execution venues/brokers used to execute orders.

There are no close links, conflicts of interests or common ownerships with respect to any execution venues used to execute orders.

A description of any specific arrangements with any execution venues/brokers regarding payments made or received, discounts, rebates or non-monetary benefits received.

There are no specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received.

An explanation of the factors that led to a change in the list of execution venues/brokers listed in the firm's execution policy, if such a change occurred.

There were no changes to the list of execution venues/brokers listed in Essencia's Order Execution Policy during the Period.

An explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements.

This is not applicable as Essencia only deals with Professional Clients.

An explanation of whether other criteria were given precedence over immediate price and cost



when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client.
This is not applicable as Essencia does not deal with Retail Clients.
An explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575 [RTS 27]
The Firm manually reviews trades on a sample basis. To this end, on a monthly basis, Essencia selects a sample number of trades and requests Single Order TCA Reports (or similar) from the relevant broker for each of these selected sample trades. Essencia then analyses the Single Order TCA Reports to assess whether or not that broker has allowed Essencia to obtain best execution for its clients on a consistent basis. Essencia's process for assessing the quality of execution provided by its brokers is dynamic and continues to evolve over time. Essencia did not use RTS 27 reports or RTS 28 reports produced by execution venues or brokers in 2018. In addition, tools, such as Transaction Cost Analysis, were not used by the Firm during the Period.
Where applicable, an explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU.
The Firm has not used the output of any Consolidated Tape Providers in its execution quality analysis. It is noted that there were not any authorised Consolidated Tape Providers listed on the European Securities and Markets Authority's ("ESMA") database of Consolidated Tape Providers as at the end of the Period.

Essencia is satisfied that its Order Execution Policy was adhered to during the 2019 calendar year and that, in doing so, the Firm has delivered best execution for its clients during the 2019 calendar. This analysis will feed in to Essencia's periodic review of its Order Execution Policy at which time further enhancements, to the extent required, will be considered.

Disclaimer

Essencia Capital LLP is authorised and regulated by the Financial Conduct Authority. The Quantitative Report and Qualitative Report have been prepared by Essencia for the calendar year 2019 (the "Period") for the purposes of meeting Essencia's regulatory obligations under Commission Delegated Regulation (EU) 2017/576 ("MiFID II"). Please note that information for the Period has been collated based on the regulatory obligations that applied to Essencia during that time and the Quantitative Report and Qualitative Report have been prepared on a best endeavours basis. Please note that the assumptions and methodologies used to produce the Quantitative Report and Qualitative Report may not be used for the preparation of future reports. Essencia does not guarantee the correctness or completeness of the information in this report and shall not be responsible for or have any liability whatsoever for any loss or damage caused by errors, inaccuracies or omissions in connection with use or reliance on this information. This document is not intended as an offer or solicitation with respect to the purchase or sale of any security. Nothing in this document is intended nor should be construed as advice.