

Best Execution

Analysis and conclusions drawn from detailed monitoring of the quality of execution obtained on execution venues (published under RTS28).

Nature of the business

Illiquidx Limited (“**IlliquidX**” or “**the Firm**”) executes orders in distressed and illiquid bonds and claims in bankruptcy on behalf of Professional Clients and Retail Clients. Claims in bankruptcy are not regulated instruments and are therefore not discussed in this summary.

The Firm may facilitate matched principal trading, act as an “arranger” or may trade on its principal book with its counterparties. Given the illiquid/unlisted nature of the instruments traded, the Firm is unlikely to be considered a market-maker or Systematic internaliser.

As such the Firm does not differentiate its execution policy between its clients.

The Firm may not give advice to but may execute orders in these corporate finance instruments received from Retail Clients (in line with the limitation on its Retail Client regulatory permission documented on the FCA Register).

Execution factors

Based on the highly illiquid nature of the instruments traded and the investment objectives of its clients (either to build substantial claims in liquidation or to remove unwanted, illiquid securities for which there is unlikely ever to be a meaningful market from their books), IlliquidX has determined that likelihood of execution and settlement is the most important of the execution factors. All other concerns are subsidiary to this one, except in situations involving more liquid instruments, though these are traded by the Firm much less frequently.

The Firm’s transactions are generally unlikely to be conducted on exchange as the illiquid nature of the contract often means the Firm organises a matched principal trade between buyer and seller or takes the securities onto its own book. In each case, the search for a willing counterparty and the attendant due diligence and legal documentation mean that the drivers of the transaction are outside the realms of simple speed, price and costs and involve a desire to remove illiquid securities from a trading book or to build a claim in liquidation/bankruptcy.

Some transactions in certain bonds might be executed on exchange where possible but given the very limited liquidity of these instruments due to their nature, often IlliquidX is one of the few or the only provider of liquidity in the market.

Trading volumes

The Firm does not impose any threshold levels in terms of the number of trades per given unit of time and accentuates, instead, the quality of its execution. Equities have been analysed into tick size liquidity bands for 2017 and the Firm has provided the appropriate reports.

The Firm’s activity is diversified across clients, counterparties, venues and products and hence it does not face the issue of concentration.

Close links and common ownership

IlliquidX has a close link that is its 100% parent company, Illiquidx Capital Limited (“ICL”). In line with the Firm’s strategy and regulatory requirements, the Firm provides liquidity and best execution to its clients. Given the illiquid nature of the instruments traded by the Firm, ICL can be that source of liquidity in certain transactions. Occasionally, the Firm’s clients and ICL collaborate on transactions. There are no conflicts of interest arising from the Firm’s ownership structure.

There is full disclosure of the corporate relationship. Due to the nature of the market and instruments, often ICL will be the only provider of liquidity and it is for the client to determine whether or not the price offered is sufficient for removing the illiquid security from a portfolio or trading book. In general, the clients are professionals or highly sophisticated retail clients who well understand the nature of the market and the circumstances.

The Firm has no close links, conflicts or common ownership with respect to any execution venue.

Discount and rebate arrangements

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

Changes in execution venues used

A change in execution venues may have occurred within the year the Firm always looks to optimise likelihood of execution, speed, price and cost for any client orders (where these are relevant factors for the instruments traded). These changes are reflected on the table below:

2016	2017	Reason for Change
Banca IMI	Banca IMI	n/a
Vontobel Securities	Vontobel Securities	n/a
Global Prime Partners	Global Prime Partners	n/a

Execution quality assessment tools and consolidated tape providers

This is the first report under RTS 28 and there is insufficient data available at present for the Firm to consider there to be a cost benefit to using execution quality assessment tools in respect of execution obtained in 2017. IlliquidX keeps this situation under constant review and will use suitable execution quality assessment tools at the appropriate time and where there is a clear cost benefit for its clients. The very low levels of trading at present make manual review and assessment practical. The Firm recognises this will not be the case if its activity increases.

The Firm has not made use of any consolidated tape providers.