

# MiFID II: RTS 28 Qualitative Commentary - GSIB

## Equities – Shares & Depositary Receipts

Goldman Sachs International Bank (GS) does not undertake client executions in this Asset Class.

## Debt instruments

### (i) Bonds

1. Topic 1: 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**:

These instruments are typically traded on a request for quote basis, including where clients approach us for a quote or are responding to our streamed prices/indications of interest through electronic platforms where we predominantly act in a principal capacity and the client ultimately decides whether to proceed with the transaction based upon the price provided by us and those of other liquidity providers from whom it has sourced quotes. Generally we would not expect clients to be legitimately relying on us to provide best execution, particularly given the market practice for clients to shop around for quotes, and therefore our best execution obligations for these instruments are likely to apply in more limited circumstances than that for other asset classes.

To the extent we determined we owed a best execution obligation and subject to any specific instructions, GS generally gave the highest priority to net price. The remaining execution factors, to the extent relevant, – cost (including implicit cost such as impact on the market), speed, order size, nature of the order and any other consideration relevant to the efficient execution of the client's order - were generally given equal ranking.

2. Topic 2: a description of any **close links, conflicts of interests, and common ownerships** with respect to any **execution venues** used to execute orders;

Goldman Sachs and persons connected with Goldman Sachs provide diversified financial services to a broad range of clients and counterparties and circumstances may arise in which Goldman Sachs may have a conflict of interest.

Goldman Sachs Group entities may have (i) minor, non-controlling ownership stakes in companies which operate or own execution venues and/or; (ii) be founding consortia members of execution venues for which it has revenue share arrangements, which GS may use to execute orders on behalf of clients or to respond to clients' requests for quotes in certain financial instruments, including

- *Tradeweb LLC*
- *Bloomberg*
- *MarketAxess*

Our decision to route orders to, or respond to clients' request for quotes on, a particular execution venue was determined, as applicable, by whether execution on such venues allowed us to satisfy our best execution obligations or as necessary to interact with clients and was not influenced by any such ownership or revenue share arrangements.

For further details on the execution venues used by GSIB and its conflicts of interest policy, please refer to the Global Markets Division's best execution summary which is available at:

<http://www.goldmansachs.com/disclosures/mifid/>

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3. Topic 3: a description of any **specific arrangements** with any **execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;**

Some Execution Venues may offer differing fee plans to trading members depending on the volume and nature/type of a trading activity on the venue as well as fee discounts depending on average volume of trading undertaken. Such arrangements apply equally to all trading members who satisfy the relevant criteria under the Execution Venues rules. Information on such arrangements is publically available on the relevant Execution Venues website. Our decision to route orders to a particular venue for execution was determined by whether execution on such venues allowed us to satisfy our best execution obligations and was not influenced by any such fee structures or volume discounts.

4. Topic 4: an explanation of **the factors that led to a change in the list of execution venues listed** in the firm's execution policy, if such a change occurred;

We have revised our execution venues list for this asset class to remove those execution venues that are not used for the execution of client orders. Please note GS may use selected brokers venues, OTFs, SEFs, and other platforms as part of its hedging and price discovery process.

5. Topic 5: 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;

GS only executed orders for professional clients and eligible counterparties. Under applicable law and regulation GS is not obliged to provide best execution when it executes orders on behalf of eligible counterparties.

6. Topic 6: 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;

Not applicable.

7. Topic 7: an explanation of **how the investment firm has used any data or tools relating to the quality of execution**, including any data published under RTS 27

GS has in place post execution supervisory monitoring procedures which use market data, where it is available, to assess relevant client transactions. Where appropriate market data is not available other criteria are used to review relevant client transactions for monitoring purposes. This monitoring is undertaken on a systematic basis via best execution monitoring systems. As part of its overall best execution monitoring framework and on-going assessment of execution venues utilised, GS may also take account of information published under RTS 27 by those execution venues (if applicable) alongside data sources used as part of its systematic best execution monitoring arrangements.

8. Topic 8: 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.

N/A

## **Bonds**

### **(ii) Money Market instruments**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

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## **Interest Rate Derivatives**

### **(i) Futures and options admitted to trading on a trading venue**

Goldman Sachs International Bank does not undertake client executions in this Asset Class.

## **Interest Rate Derivatives**

### **(ii) Swaps, forwards, and other interest rates derivatives**

Goldman Sachs International Bank does not undertake client executions in this Asset Class.

## **Credit Derivatives**

### **(i) Futures and options admitted to trading on a trading venue**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Credit Derivatives**

### **(ii) Other credit derivatives**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Currency Derivatives**

### **(i) Futures and options admitted to trading on a trading venue**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Currency Derivatives**

### **(ii) Swaps, forwards, and other currency derivatives**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Structured Finance Instruments**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Equity Derivatives**

### **(i) Options and Futures admitted to trading on a trading venue**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Equity Derivatives**

### **(ii) Swaps and other equity derivatives**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Securitized Derivatives**

### **(i) Warrants and Certificate Derivatives**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

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## **Securitized Derivatives**

### **(ii) Other Securitized Derivatives**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Commodities derivatives and emission allowances Derivatives**

### **(i) Options and Futures admitted to trading on a trading venue**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Commodities derivatives and emission allowances Derivatives**

### **(ii) Other commodities derivatives and emission allowances derivatives**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Contracts for Difference**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)**

Goldman Sachs International Bank does not undertake client executions in this Asset Class

## **Emissions Allowances**

N/A – Emission Allowances will be addressed under the MiFID II Commodity and Emission Allowances report.

## **Other Instruments**

N/A - There are no instruments that fall into this category in 2018

## **SFTs**

1. Topic 1: 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**:

We consider that best execution is generally owed in respect of agency securities lending transactions save where we understand that the client is not placing reliance on us (for example, where the client has provided specific instructions as to the elements of the transaction).

Agency securities lending transactions are those where we act as agent for our client which wishes to lend its securities to borrowers in the market under agreements that our client is a party to as principal with those other counterparties. As these transactions are bilateral, the accompanying Top 5 venues report will represent the top 5 borrowers based on the best execution factors described below.

We consider that the best execution factors for this type of transaction are different to transactions in other financial instruments because of the nature of the transaction as an ongoing collateralized

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transaction which is not settled to the market daily. To the extent we determined we had a best execution for a particular transaction, the ranking of the execution factors was typically as follows:

1. Price
2. Quality of the collateral
3. Stability of the borrow
4. Operational efficiency and reliability
5. Creditworthiness of the counterparty

“Price” in this context means the rate which the client will receive for the loan of its securities. “Stability of the borrow” means the likelihood of the counterparty wishing to return the borrow. “Operational efficiency and reliability” means the likelihood of a failure in terms of settlement, the posting of margin or processing of corporate actions. The remaining execution factors – likelihood of execution, costs, speed, transaction size, nature of the transaction and other considerations to the extent relevant to the efficient execution of the client’s transaction - were generally given equal ranking.

Note that where a client provided specific instructions in respect of the securities lending transaction, the duty of best execution did not apply in respect of aspects of the transaction covered by those specific instructions.

2. Topic 2: a description of any **close links, conflicts of interests, and common ownerships** with respect to any **execution venues** used to execute orders;

N/A

3. Topic 3: a description of any **specific arrangements** with any **execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;**

N/A

4. Topic 4: an explanation of **the factors that led to a change in the list of execution venues listed** in the firm’s execution policy, if such a change occurred;

N/A

5. Topic 5: 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;

GS only acted as agent only for transactions between professional clients and/ or eligible counterparties. Under applicable law and regulation GS is not obliged to provide best execution when it executes orders on behalf of eligible counterparties.

6. Topic 6: 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;

Not applicable.

7. Topic 7: an explanation of **how the investment firm has used any data or tools relating to the quality of execution**, including any data published under RTS 27

N/A

8. Topic 8: 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.

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N/A