

**Sculptor Europe Loan Management Limited**  
Annual RTS 28 Best Execution Disclosures - 2020



April 2021

# Sculptor Europe Loan Management Limited

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### **Best Execution Obligation:**

Sculptor Europe Loan Management Limited (the “Firm”) is a member of the Sculptor Capital Management, Inc. Group (the “Group”) and acts as a Collateralised Loan Obligation (“CLO”) manager to certain affiliated CLO vehicles. The Firm is authorised and regulated by the Financial Conduct Authority (“FCA”) and is an investment firm subject to the requirements of the FCA Rules that implement the Markets in Financial Instruments Directive and Regulation (“MiFID II”) including the order execution rules under the Regulatory Technical Standard 28 (“RTS 28”).

In order to comply with the above obligations, the Firm must take all sufficient steps to obtain the best possible result for its Clients, taking into account the “execution factors” specified by MiFID II, when effecting transactions in any of the 22 Instrument Classes set out in MiFID II (“the MiFID II Rules”). In addition, the Firm is required to summarise and make public on its website on an annual basis, for each class of financial instrument in which it has traded, the top five Execution Venues where it executes orders, and the top five Brokers to which it transmits orders for execution, in terms of trading volumes, in the preceding calendar year, including information on the quality of execution obtained. This information will be published annually on the Firm’s website by 30 April each year.

This document is the Firm’s RTS 28 report for calendar year 2020, containing both quantitative and qualitative disclosures. As a Collateralised Loan Obligation (“CLO”) manager, the Firm only has one Instrument Class to report on for 2020 – Debt Instruments: Bonds. The Firm may also conclude transactions in loans; however, as these are not financial instruments for MiFID II purposes, such transactions are not subject to this report.

### **Use of data / tools relating to quality of execution**

The Firm’s Compliance Officer performs regular monitoring of the quality of execution of trades executed by the Firm. The Firm utilises both external and internal monitoring tools and data in evaluating whether best execution has been achieved, taking into account the relevant execution factors for a given trade(s). The Firm reviews its Order Execution Policy and its order execution arrangements at least annually and whenever a material change occurs that affects the firm’s ability to continue to obtain the best possible result for its clients on a consistent basis, in accordance with the MiFID II Rules. During 2020, the Firm did not contract directly with any Consolidated Tape Provider but is able to access market pricing data from a variety of different third-party sources.

### **Differentiation across client categories:**

The Firm gives effect to decisions to deal only on behalf of professional clients (as defined in the FCA Rules).

### **Close links, conflicts of interest and common ownership with respect to execution venues:**

Orders placed by Portfolio Managers of the Firm are routed internally to the Group’s trading desks for execution in the market. Consequently, the Firm only has one broker to report within its top five brokers report – Sculptor Capital Management Europe Limited. Sculptor Capital Management Europe Limited is itself an FCA-authorized investment firm subject to the best execution requirements. The Firm is satisfied that this arrangement results in it achieving best execution for its clients.

The Firm has policies and procedures in place to identify and to prevent or manage conflicts of interest. In particular, Employees or officers of the Firm may hold outside business interests, such as directorships, or shareholdings in service providers to the Group. The Firm has identified that such outside business interests or investments could cause a potential conflict of interest between the personal interest of the relevant Employee / director and the interests of the Group’s Clients. The Group manages this potential conflict by maintaining and following a Code of Ethics Policy. requires employees and officers who hold outside business interests or investments in service providers to disclose new interests or investments to the Compliance Department and to seek prior consent from the Compliance Department.

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### **Specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received:**

As described above, orders placed by Portfolio Managers of the Firm are routed internally to the Group's trading desks for execution in the market and therefore the Firm does not place trades directly with third party execution venues outside of the Group. Therefore the Firm does not have any specific arrangements with execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received to report. Nonetheless, minor non-monetary benefits may be received from time to time in the form of gifts and entertainment given by third party execution venues and brokers to the Firm's employees. However, the Firm has a Gift & Entertainment, Political Activity and Charitable Giving Policy that places limits on gifts and entertainment, and requires pre-approval and/or reporting of gifts and entertainment above specified thresholds. Compliance undertakes regular monitoring of this process and reviews the aggregate level of gifts and entertainment received by the Firm and its employees to prevent potential conflicts arising.

### **Factors leading to a change in the list of execution venues listed in the order execution policy:**

In order to ensure best execution, the Firm participates in the Group-wide Best Execution Committee. In addition, at the Firm level in the UK, the Firm's Compliance Officer chairs a sub-committee of the Best Execution Committee to evaluate the performance of the Firm's Executing Brokers and Execution Venues ("Best Execution Review"). Where it deems appropriate, as part of the Best Execution Review, the Firm will have regard to publicly available data on quality of execution obtained by Executing Brokers; however, the Firm will assess a broad range of factors when determining whether to make changes to the list of execution venues in its order execution policy. The Firm's traders will monitor the market for new Executing Brokers and Execution Venues that should be onboarded to improve the Firm's order execution capabilities. Inactive Executing Brokers and Execution Venues (i.e. those with limited to no trading activity) and those that no longer enable it to obtain on a consistent basis the best possible results for its clients are offboarded.

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### Debt Instruments: Bonds

Class of Instrument (Non-SFT)	Debt Instruments: Bonds		
Notification if < 1 average trade per business day in the previous year	YES		
Top five BROKERS ranked in terms of trading volumes (descending order)		Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class
Sculptor Capital Management Europe Limited	54930013U59T2U620T86	100	100

### Execution Factors

Certainty of execution (i.e. availability of liquidity) will often be the most important execution factor, with price and minimisation of market impact as important secondary considerations. In certain circumstances there may be very limited sources of liquidity for the bonds where there may, in effect, be no or little choice of Execution Venue.

Based on the Firm's best execution monitoring during 2020 (as described above under 'Use of data / tools relating to quality of execution'), and taking into account the relevant execution factors for a given trade(s), the Firm is satisfied that it achieved best execution for this Instrument Class. In particular, the Firm is satisfied that best execution was achieved by routing all orders in this Instrument Class to its affiliate, Sculptor Capital Management Europe Limited. The Firm is satisfied that Sculptor Capital Management Europe Limited maintains an execution policy sufficient to achieve best execution for Clients.

### Securities Financing Transactions

Class of Instrument (Non-SFT)	Securities Financing Transactions		
Notification if < 1 average trade per business day in the previous year	YES		
Top five VENUES ranked in terms of trading volumes (descending order)		Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class
Nearwater Capital, LLC	549300RHCH2ABN8PEZ74	100	100

### Execution Factors

Securities Financing Transactions include repurchase and reverse repurchase agreements. The relative importance of execution factors will depend on the specific nature of the instrument being traded in each instance. Based on the Firm's best execution monitoring during 2020 (as described above under 'Use of data / tools relating to quality of execution'), and taking into account the relevant execution factors for a given trade(s), the Firm is satisfied that it achieved best execution for this Instrument Class.