

# D. E. Shaw & Co. (London), LLP

## Annual Summary of Execution Arrangements

30 April 2021

### Introduction

**D. E. Shaw & Co. (London), LLP (the “Partnership”) is a member of the D. E. Shaw group, a global investment and technology development firm. The Partnership is authorized and regulated by the Financial Conduct Authority (the “FCA”) in the United Kingdom. The Partnership provides investment management services to D. E. Shaw & Co., L.P. (“DESCO LP”), its indirect parent company, and certain of DESCO LP’s investment advisory subsidiaries, which services are for the benefit of certain affiliated private investment funds and separately managed accounts (collectively, the “Funds”). DESCO LP is a U.S.-based investment adviser registered with and regulated by the United States Securities and Exchange Commission.**

**COBS 11.2A of the FCA Handbook (the “FCA Rule”) requires a firm such as the Partnership that executes client orders and provides the service of portfolio management to its clients to summarize and make public on an annual basis, for each relevant class of financial instruments, (i) the top five execution venues in terms of trading volumes on which it executed client orders in the preceding year, and (ii) the top five firms in terms of trading volumes to which it transmitted, or with which it placed, client orders for execution in the preceding year, and, in each case, information on the quality of execution obtained. This report summarizes and provides such information in relation to the Partnership’s order execution activities during the period from 1 January 2020 to 31 December 2020 (the “Report Period”). This report applies solely to order execution activity undertaken by the Partnership and does not address the order execution activities of any other member of the D. E. Shaw group.**

### Order Execution Practices

The Partnership may execute client orders directly by placing orders and executing transactions on an execution venue, or indirectly by placing an order with a broker that subsequently executes the order. The Partnership generally considers both direct (where available) and indirect execution when determining the optimal execution strategy for an order.

Generally, the Partnership is authorized by its clients to determine the execution venue or broker to be used for transactions executed by the Partnership on behalf of a Fund. In selecting such execution venues or brokers, the Partnership is required by the FCA Rule to take all sufficient steps to obtain the best possible results for its clients. The Partnership is not required to solicit competitive bids, and does not have an obligation to seek the lowest available commission cost. The price offered by an execution venue or broker, including commissions and commission equivalents, if any, and other transaction costs, is normally an **important factor in this decision, but the Partnership’s execution venue or broker selection also takes into account the prevailing market conditions at the time of an order and the overall quality of the execution services offered, including without limitation factors such as: execution capability, including speed and likelihood of execution; willingness and ability to commit capital; creditworthiness and financial stability;**

clearance and settlement capability; and ability to maintain confidentiality. The relative importance that the Partnership generally assigns to various execution factors in connection with the execution of orders in different classes of financial instruments is summarized alongside other information in a table for each of the classes of financial instrument identified in COBS 11 Annex 1UK, as well as a class of instruments labeled “**Non-EU Equities**” (consisting of equity instruments traded on trading venues outside of the EU which have not, therefore, been assigned a liquidity band). Such tables are collectively referred to in this report as the “**Tables**” and are available [here](#).

The Partnership is required by the FCA Rule to take into account the following criteria when determining the relative importance of the execution factors described above:

- **the client’s characteristics, including the client’s categorization;**
- the characteristics of the relevant orders;
- the characteristics of the financial instruments that are the subject of the relevant orders; and
- the characteristics of the broker through which, and the execution venues on or with which, those orders can be executed.

**The Partnership’s clients are DESCO LP and certain of its investment advisory subsidiaries, each of which is classified as a professional client for the purposes of the FCA Rule. These clients have delegated discretion to the Partnership to execute orders on behalf of the Funds, each of which would be classified as a professional client if it was a client of the Partnership. The Partnership considers the characteristics of both its client and the relevant Fund when executing orders. The Partnership’s order execution arrangements do not vary for any class of financial instrument based upon client categorization, given that all of the Partnership’s clients are professional clients. The Partnership does not execute orders for retail clients and does not operate separate order execution arrangements for retail clients.**

The Partnership deploys a variety of trading strategies on behalf of its clients and executes orders involving financial instruments in a range of asset classes. The Partnership maintains relationships with numerous execution venues and brokers to enable it to take all sufficient steps to obtain the best possible results across the full scope of its trading activities. The order execution policies and processes operated by the Partnership provide for a significant degree of flexibility in deciding which execution factors are to be taken into account in respect of a particular order. This flexibility is required to facilitate execution decisions that are appropriate to the size and nature of an order and that take into account prevailing market conditions at the time of an order and all relevant execution factors, such as the desire to minimize the market impact of the transaction.

The applicable Fund pays any exchange fees and/or commissions associated with orders executed by the Partnership on behalf of such Fund, regardless of the class of financial instrument to which the order relates. Neither the Partnership nor the Funds make payments (other than settlement price, which may include transaction costs) to, or receive payments (in the form of discounts, rebates, or otherwise) from, execution venues or brokers in connection with the execution of orders by the Partnership. The Partnership may receive minor non-monetary benefits, such as market commentary, from its brokers and other counterparties in accordance with COBS 2.3A and COBS 2.3B. The Partnership does not believe that the receipt of such minor non-monetary benefits is an inducement to make execution decisions that are inconsistent with its obligation to obtain the best possible result for its clients.

The Partnership may pass orders to DESCO LP or **DESCO LP’s** Hong Kong-based subsidiary, D. E. Shaw & Co. (**Asia Pacific**) Limited (“**DESCO AP**”), for DESCO LP or DESCO AP to execute on an execution venue or with a

broker. The Partnership typically uses DESCO LP in this capacity in connection with orders involving financial instruments, in any asset class, traded on North American execution venues to leverage DESCO LP's expertise and familiarity with such instruments and venues. The Partnership typically utilizes DESCO AP in this capacity in connection with orders involving instruments traded in Asia for analogous reasons. With the exception of DESCO LP's indirect ownership of a substantial majority of the Partnership's voting and capital rights, and ownership of all of the equity of DESCO AP, the Partnership is not aware of close links or common ownerships between itself (and/or its affiliates) and the execution venues or brokers it uses to execute orders. Similarly, the Partnership is not aware of conflicts of interest between it (or its affiliates) and such execution venues or brokers that would impair its ability to obtain, when executing orders, the best possible result for its clients.

## Order Execution Monitoring

The Partnership conducts periodic reviews of its order execution activities utilizing both quantitative and qualitative data to monitor the quality of the execution obtained. Based on the periodic reviews conducted in respect of the Report Period, the Partnership believes that:

- the execution venues and brokers covered by its order execution policy have the capabilities necessary to efficiently execute orders across the full range of asset classes traded by the Partnership on behalf of the Funds;
- the Partnership maintains relationships with a sufficient number of execution venues and brokers, given the extent and nature of its trading activities;
- the commissions charged by the brokers it uses to execute orders are reasonable and consistent with, or more favorable than, standard market rates;
- the Partnership is not overly dependent on a single execution venue or broker for classes of financial instruments that it trades actively; and
- its selection of execution venues and brokers resulted in the overarching best possible results for its clients during the Report Period.

Certain of the Partnership's employees responsible for order placement have reviewed data relating to execution quality published by key execution venues and brokers utilized by the Partnership. The review and analysis of such data did not have a material impact on the Partnership's order execution practices during the Report Period. The Partnership did not utilize the output of a consolidated tape provider, because no such provider has been established in Europe. The Partnership's periodic reviews of its order execution results inform the Partnership's decisions as to the execution venues and brokers that it utilizes when executing orders on behalf of the Funds. During the Report Period, the Partnership initiated relationships with new execution venues and brokers for orders relating to instruments in various equity, equity derivatives, and debt asset classes. These new relationships were commenced primarily for the specialization of the execution venues and brokers in particular instruments, markets, or geographies, and/or their lower commissions or better prices. The Partnership terminated its relationships with various execution venues and brokers for orders relating to equities, equity derivatives, and debt asset classes during the Report Period, primarily as a result of the venue or broker ceasing its trading activities in particular instruments or because the Partnership had ceased using such execution venues and brokers for an extended period of time.

## Execution Factors and Execution Venues

The Tables set out (i) the relative importance that the Partnership assigned to the various execution factors in connection with the execution of orders relating to instruments in that class; (ii) the top five execution venues in terms of trading volumes for orders relating to instruments in that class executed by the Partnership during the Report Period; (iii) the top five brokers in terms of trading volumes to which the Partnership transmitted or with which it placed orders for execution during the Report Period; and (iv) the top five execution venues in terms of trading volumes for all securities financing transactions involving that asset class executed by the Partnership during the Report Period. Consistent with all other aspects of this report, the Tables relate only to order execution activity carried out by the Partnership during the Report Period and not to the order execution activities of other members of the D. E. Shaw group.

In the Tables, each execution venue or broker is ranked by trading volume, which for securities transactions is measured by the sum of the gross market values of all orders executed with the execution venue or broker. In the case of derivatives transactions, trading volume is measured by the sum of the gross notional values of all orders executed with the execution venue or broker.

Instruments that could be reasonably categorized in more than one class of financial instrument have been assigned to the class that the Partnership believes most accurately reflects the relative importance of the execution factors for orders involving such instruments.

The legal entity identifier (LEI) of each execution venue and broker is listed after the name of the venue or broker in the Tables.

The Partnership transacts in equity swaps typically by placing an order for an equity instrument with an **executing broker and “giving up” the resulting trade** to a swap counterparty in connection with entry into a swap trade. The Partnership reported these swap trades in the appropriate section of the Tables. The Partnership does not, however, report the orders for equity instruments placed with executing brokers in connection with such give-ups in the Tables, because the swap counterparties (and not the executing brokers) are the parties to any resulting trades.

A **“directed order”** is, for purposes of the Tables, an order for which a particular execution venue was specified by the client prior to the execution of the order by the Partnership. None of the orders executed by the Partnership were directed orders.