

KKR Credit Advisors (EMEA) LLP

Regulation 2017/576 (RTS 28) Disclosure

2019

KKR Credit Advisors (EMEA) LLP

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KKR Credit Advisors (EMEA) LLP – Regulation 2017/576 (RTS 28) Disclosure

KKR Credit Advisors (EMEA) LLP (“KCA EMEA LLP” or “the Firm”) is a sub-advisor to various KKR affiliates and is the primary KKR entity executing financial instruments within Europe. KCA EMEA LLP executes trades that have been passed to it by the discretionary portfolio managers at various KKR affiliates.

The Firm closely monitors the execution of trades, including the relevance of various execution factors. The most common execution factor for bond trades is price – this is consistent with the Firm’s expectations for liquid traded instruments and in accordance with the Firm’s Best Execution policy. The second most common execution factor is availability of the instrument in the market. This is consistent with our expectations and policy. Not all bonds are traded in a liquid manner and therefore, in accordance with the Firm’s Best Execution policy, the Firm may execute trades with a counterparty when alternative counterparty prices are not available. The Firm tracks execution factors for all trades and reviews these factors on a frequent basis. During the course of 2018 the Firm has observed that the execution factors are consistent with its Best Execution policy.

The Firm has no close links to any of the counterparties that it engages with. The Firm does not receive or make any payments, discounts or rebates, or receive any non-monetary benefits from, these parties. The costs of operating the relationship are borne by the management companies.

The Firm participates in the annual review of the KKR approved counterparty list to ensure that the approved counterparty list is reflective of commercial and regulatory expectations for the underlying clients. In 2018 three of the Firm’s top five trading counterparties remained from 2017. The addition of two new counterparties reflects an increase in the Special Situations strategy trade activity in 2018. Overall, trade volumes are less concentrated in the top 5 counterparties compared to 2017, both as a proportion of total orders executed (reducing from 60% to 38%) and total volume traded (reducing from 70% to 37%).

KCA EMEA LLP continues to review the counterparty list on an ongoing basis to ensure that all approved counterparties are in a position to facilitate the effective discharge of our regulatory responsibilities. There was a particular focus on Brexit preparedness in advance of the initially proposed exit date of 31st March 2018. This review has assured the Firm that the existing list of approved counterparty’s enables it to obtain the best possible outcome for its clients.

All of the Firms’ clients are categorised as professional under MiFID. There are no clients classified as retail or eligible clients. All professional clients are treated the same with respect to the execution and allocation of trades.

The Firm traded the following Regulation 2017/576 (RTS 28) Disclosure Instruments in 2018:

- Debt instruments (Bonds)
- Debt instruments embedding a derivative (ABS)
- Currency Derivatives (FX Forwards)
- Equities

The Firm did not trade an average of more than one trade per business day in either ABS, FX Forwards, or Equities during 2018. In order to ensure that the information it publishes is meaningful and representative, the Firm does not provide information on these asset classes in the table below. The following table shows the proportion of volume traded and proportion of orders executed for bonds traded by the Firm.

The Firm does not consider the classification of orders as “passive”, “aggressive” or “directed” to be relevant to its OTC bond trading activity as outlined in Art. 65(6) of the MiFID II Delegated Regulation RTS 28 “If a portfolio manager, or a receiver and transmitter of orders, sends an order to an entity for execution (broker), the distinction between passive and aggressive orders as defined in Article 2 of RTS 28 is likely not relevant and will not need to be disclosed in the report to be published in accordance with Article 65(6) of the Delegated Regulation”. The relevant columns in the table below are therefore left blank.

Class of Instrument	Bonds				
Notification if <1 average trade per business day in the previous year	N				
Top 5 venues ranked in terms of volume (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as a percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Citigroup Global Markets Limited (LEI: XKZZ2JZF41MRHTR1V493)	6%	10%	-	-	-
Goldman Sachs International (LEI: W22LROWP2IHZNBB6K528)	7%	10%	-	-	-
HSBC Bank plc (LEI: MP6I5ZYZBEU3UXPYFY54)	8%	7%			
Seaport Group Europe LLP (LEI: 2138003MLD2U3GEMHS70)	7%	7%	-	-	-
Deutsche Bank AG (LEI: 7LTWFZYICNSX8D621K86)	5%	5%	-	-	-