

Best Execution

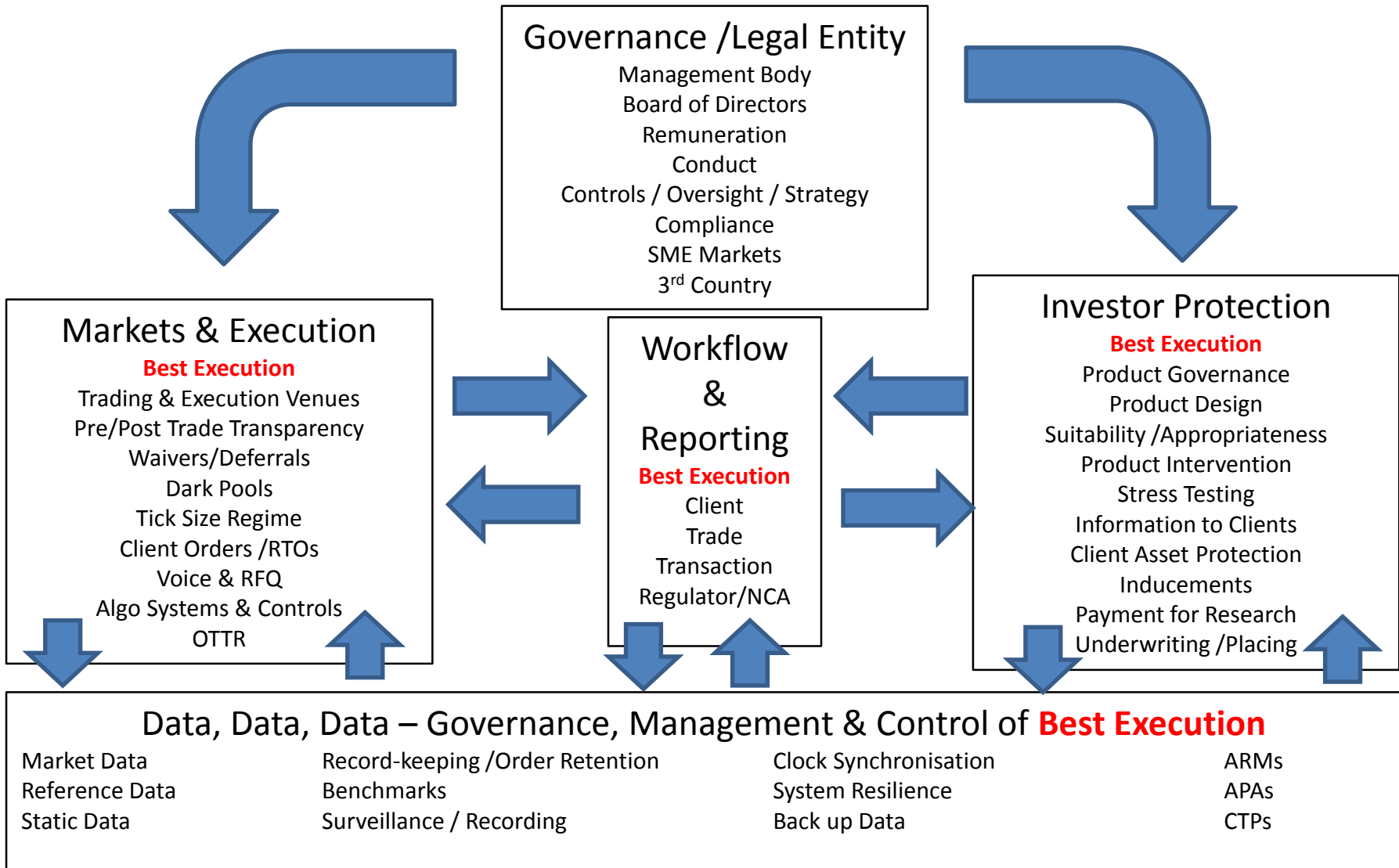
All Assets to All Venues



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Best Execution underpins all aspects of MiFID II





Best Execution – RTS 27

- Content, format and periodicity of data relating to execution quality by TVs and SIs
- *Key Issues*
 - Every market segment
 - Implications of removal of failed transactions
 - Differences in trading systems and platforms – speed of execution in milliseconds other trading systems “*larger units of time*”
 - Article 5 - all relevant costs in the execution
 - including taxes or levies (FTT?)
 - Article 6 - Likelihood of execution
 - issues such as number of orders of request for quotes received which were cancelled/withdrawn
 - Article 7 – Passive vs Aggressive
 - How residing DP triggered orders are impacted
 - Article 8 – RFQs for OTF orders subject to best execution
 - How will onward routing be reported if a seller sends to a venue – then there is an obligation to trade on exchange?

Best Execution Research

Key findings of TABB Research - Best Execution: The New Partnership

- 77% of buy side firms are currently reviewing or have reviewed policies in last year
- Data concerns dominate provision of best ex for 84% of participants
- Segregating electronic, voice and OTC flow is highlighted as the greatest challenge
- **86% of respondents stated that FIX was now a minimum requirement for brokers to receive working orders**
- Greatest investment in technology is expected to be TCA and analytics for firms to ensure compliance with best execution under MiFID II (43% of respondents)
- This figure jumped to 64% for EU respondents and 48% for US respondents but dropped to 18% for UK respondents – their focus is now on surveillance systems and data storage with 47% and 29% of firms planning to make investment here in order to meet MiFID II compliance

Best Execution – RTS 28

- Content, format and periodicity of data relating to execution quality by Investment firms
- Identification of top five execution venues in terms of trading volumes
- *Key Issues*
 - MiFID II Investment Firm definition
 - Venue or Broker – MTF activity where underlying broker not specified
 - Scope of regulation
 - Assessment of execution quality on ALL venues
 - For each class of financial instrument and subclasses based on liquidity
 - Third country aspect
 - Volume and number of orders on each execution venue as a %
 - Passive and Aggressive

Best Execution – RTS 28

- *Key Issues*
 - Levels of data required and standardisation over definitions requested
 - When is the mandated date of first publication? Presumably 31st March 2017/8 if delayed? Or will venues publish data by January 2017 for each month in 2016
 - When identifying class of financial instrument, CFDs are identified separately – given that any hedging is not client trading, how is a trading venue understood in this case?
 - RTS 28 - Article 2, clause 3 requiring information on venues where financing transactions are executed and from the definition of financing transaction (RTS28 paragraph 10) is the general consensus that this is stock loan and would therefore mostly be OTC.

Any Questions

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