

# Lack of Implementation of MiFID Best Execution

## 1. MiFID Best Execution Reporting obligations are very broad

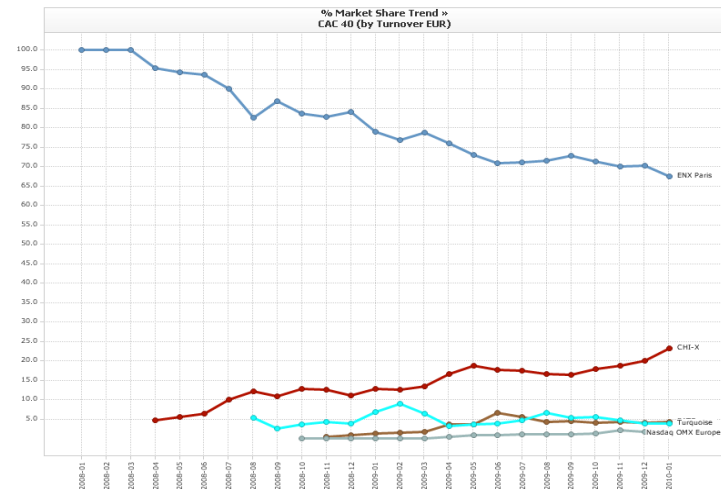
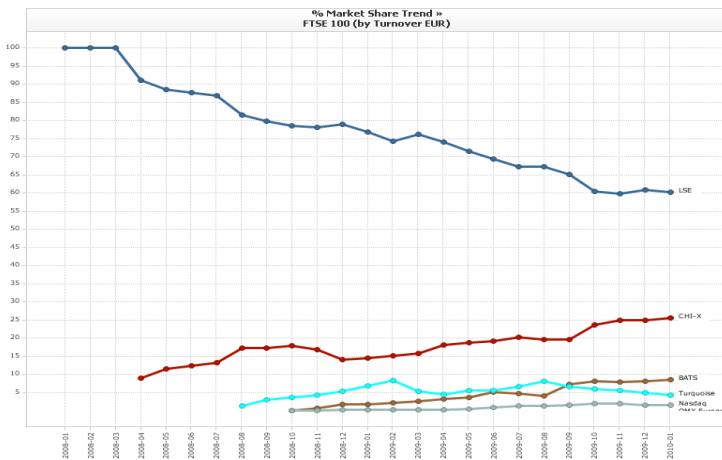
MiFID Article 21, a firm must take all reasonable steps to obtain the best possible result, taking into account **price, costs, speed, likelihood of execution and settlement, size, nature** or any other consideration relevant to the execution of the order.

It is not clear how all these factors can be take into account in active monitoring of execution quality.

## 2. Lack of communication/enforcement by regulators has left firms confused as to what is required.

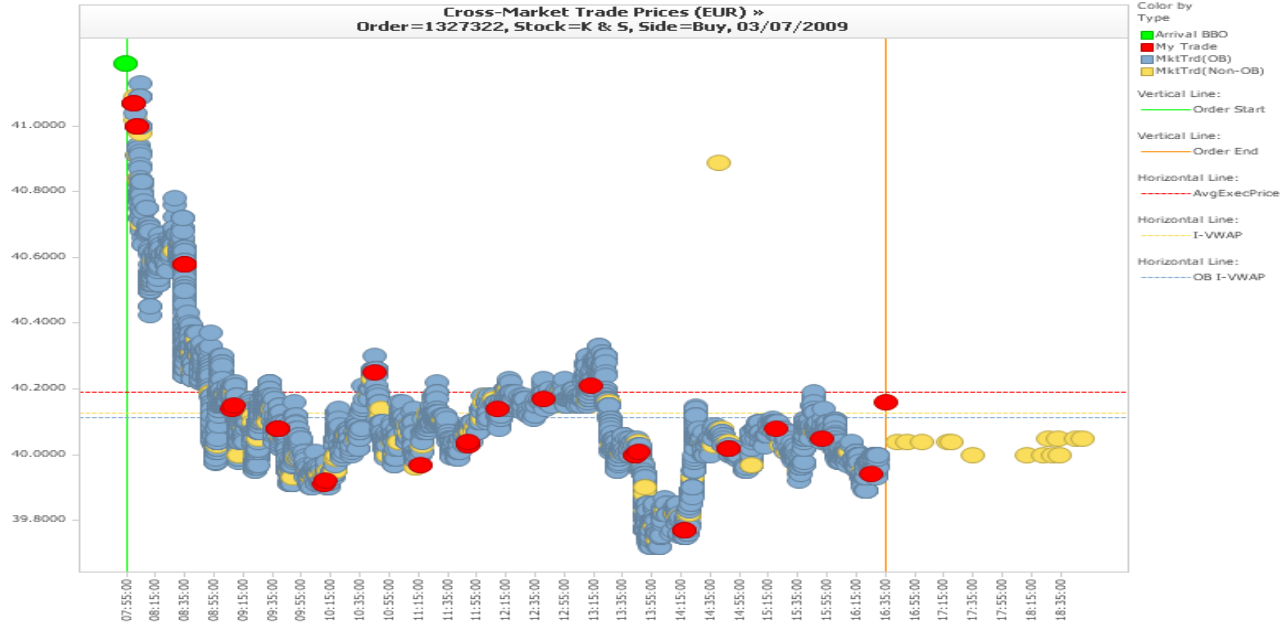
These factors combined with budget constraints within firms have resulted in a lack of real action within firms to ensure compliance.

Many firms still refer only to the primary exchanges despite significant fragmentation



# The use of Transaction Cost Analysis (TCA)

In Equities, TCA provides a solution for monitoring execution price against comparative benchmarks.



Outside the US the lack of a consolidated trade tape and BBO makes the provision of cross venue TCA more challenging.

MiFID OTC Trade Reporter data remains largely unusable.

Implementation of TCA beyond equities is hampered by a lack of available comparative trade data.

## Issues with MiFID OTC Trade Reported Data

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**Current Trade Reporting Obligations have led to this data being unsuitable for Best Ex analysis:**

1. Lack of trade classification to allow irrelevant trades to be excluded
2. Lack of detail in Trade Publication obligations has led to over-reporting
3. Lack of controls over reporting has led to poor quality in reporting

**Standards need to be agreed and enforced around Trade Publication**

**The factors above are also issues for the provision of a consolidated tape and quote**

**Together with:**

1. The cost of a real time consolidated tape is too high Vodafone € 157, BMW € 136, Carrefour € 184
2. Common standards for stock identifiers
3. Lack of execution timestamps from some trade reporting venues
4. The use of proprietary websites for trade publication

## Turnover by Reported Trade Classification

Source Thomson Reuters Equity Market Share Reporter

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| Total by Trade Classification  | 2009 Turnover € Bn |        |
|--------------------------------|--------------------|--------|
| Order Book - Non Auction Total | 1,067              | 49.01% |
| Order Book - Auction Total     | 116                | 5.34%  |
| Dark Order Book Total          | 12                 | 0.55%  |
| Off Order Book Total           | 387                | 17.80% |
| MiFID OTC Total                | 594                | 27.30% |
| Grand Total                    | 2,176              |        |