# MiFID II Order Routing & Trade Execution

## Unlocking best practice with market data

The transparency requirements brought in by MiFID II and accompanying regulation has dramatically changed the investment landscape and responsibilities placed on businesses. For firms operating in the non-equity instruments space, previously opaque, MiFID II has had a dramatic impact.

### MiFID ll – what next for market participants?

The new transparency rules have changed the market data landscape by requiring participants to make public pre-trade data in liquid instruments and post-trade data for all in-scope financial instruments. Markets in asset classes such as FX options, interest rate derivatives, bonds and structured products will now have a light shone on them as never before.

In preparation of these new requirements, businesses have spent the last few years redefining their compliance strategies. These same firms are now asking what comes next – is this a threat or potential opportunity to develop new commercial strategies driven by this market data?

Under the new regulations, market data will be sent to the public via Approved Publication Arrangements (APAs) and trading venues will be required to publish this content using structured trade reports. As a result of these changes there is a risk that the environment for market data will become fragmented, however businesses are already working out strategies to source and use the data beyond this complex, detailed regulation. The effect that the new transparency regulations will have on trading strategies makes this exercise even more relevant.

The objective of the European and Securities Markets Authority (ESMA) is to enhance investor protection and promote stable and orderly financial markets.

Rules on non-discriminatory access to trading venues and their data will give companies the ability to look for new sources of liquidity and to validate their own execution policies, ensuring ‘fair value’ is achieved.

As with any new regulations, once you separate out the complexities, opportunities can be found. This is equally true of MiFID II and the requirements for greater transparency – our ability to provide market data will offer more options to our clients and ensure that they are able to make more informed investment decisions.

### What will transparency mean for these markets?

Traders and Sales desks will now need to build strategic plans to embrace the new transparency brought about by the increase of order and trade data. Many of their clients will now have access to previously unseen price and trade data in the market and will be able to easily compare available options to make a more informed choice.

Transparency brings a lens on all activity, meaning greater sensitivity and communication will be needed to explain service offerings. There will also be direct implications on the types of business that dealers will undertake, such as the asset classes they will continue to offer, the liquidity pools they will use and the size of these trades. Market participants will need to be more cognisant of competitors' strategies to ensure their offering places them at the right level in the market. In order to operate successfully in this environment, firms will need access to as many market data sources and liquidity pools as possible to evaluate their own strategy. And they will need this data on an easy-to-access, real-time basis.

As investors will have greater visibility of quotes and trades submitted to the market, including volume, they will be able to make more informed decisions on where and how to trade, as well as who to trade with. For example, increased corporate bond market transparency may make it harder for traders to hedge or reduce positions, as other traders may become aware that someone is selling in size. Another view is that smaller trades may help price formation for larger deals. For risk managers, it will be easier to evaluate the impact of increasing trade size on spreads across multiple instruments.

There is a multitude of decisions which must be factored into workflows, all fuelled by market data. For example:

- Which trades will be executed on venues?
- Which trades will be executed bilaterally?
- Which type of trade should be sent through Auction as opposed to a Central Limit Order Book (CLOB)?
- What is the likelihood of execution in each of the venues?

Market data will soon make it clearer to see where the liquidity is and how efficient the markets are.

Within the new transparency landscape, the key questions to bear in mind are:

**Trade Execution**

Do my current venues offer me the best execution?
Will this mean that some venues will not exist in the future?
How do I prove best execution for my clients with the multitude of data sources now available?

**Order Routing**

Where is the liquidity in each asset class?
How can I mine the available data sources to identify the venue where I have the highest opportunity to execute my orders in a timely and cost-efficient manner?

## Validate with a great source of data

As regulators redefine what is required in the marketplace, TP ICAP as the world's largest interdealer broker, is ideally placed to provide you with professional intermediary services.

While complying with the new regulatory requirements, there are opportunities for investment firms. Taking advantage of these requires access to the broadest and most up-to-date market data.

Clients need secure and dependable access to market data in a variety of asset classes and different liquidity types. This needs to be available on both desktop and within their company's pricing tools for streamed-pricing, quoting and price benchmarking tools.

TP ICAP's Data & Analytics division is uniquely placed to provide this. We have the prescribed pre and post-trade data from 11 MiFID II compliant trading venues; five from Tullett Prebon, five from ICAP and one from PVM. They cover a broad variety of asset classes from recognised, trusted brands.

We deliver market data for an extensive range of asset classes, consolidated through one service. This includes data from:

- Equity Derivatives e.g. ETF options, stock futures/forwards, dividend index futures/forwards.
- Commodity Derivatives e.g. Energy commodity futures/forwards, Metal commodity options, Agricultural commodity futures/forwards.
- Credit Derivatives e.g. Index Credit Default Swaps, Single name Credit Default Swaps (CDS).
- Securities e.g. depositary receipts, structured finance products and bonds.
- Interest Rates Derivatives - IR Futures, FRA, IR Options and IR Swaptions.

## Get in touch

**For further information, please visit our MiFID II pages at: tpicap.com/what-we-do/MiFID-II**

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