

# MiFID II Best Execution

## Helping you prove the case

### MiFID II reporting - a major challenge

Best execution was introduced to the EU investment landscape when the original MiFID legislation came into effect in 2007. MiFID II and accompanying regulation, improves on the original intent and sets out certain Regulatory Technical Standards (RTS) that provide additional levels of protection for investors.

These changes also define and classify clients in the following way:



Each of the client types defined above will be afforded different forms of protection when operating in the financial markets. This will have a significant impact on how business is conducted across the board.

## Reporting requirements

MiFID II sets out a number of factors which intermediaries must consider in order to achieve best execution on behalf of their clients. These include, but are not limited to:

- Speed
- Price
- Cost
- Ability to execute
- Settlement size.

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Investment companies are looking to adapt their processes and are seeking third parties to help them fulfil these requirements.

Trading venues and Systematic Internalisers (SIs) will now have to fulfil the following reporting requirements:

**RTS 27** - data to be published by execution venues on the quality of execution of transactions.

This will affect execution venues across the EEA which includes:

- Multilateral Trading Facilities (MTFs)
- Organised Trading Facilities (OTFs)
- Regulated Markets (RMs)
- Systematic Internalisers will have to provide comprehensive data listing information about the venue and financial instruments which are available, the price and cost of transactions and the likelihood of execution.

**RTS 28** - Investment firms will have to report information on their top five execution venues and quality of execution obtained on an annual basis.

The introduction of RTS 27 and 28 means there will be a desire to source alternative market data to authenticate your compliance.

## How will you prove best execution?

Venues and firms who fall within the scope of MiFID II RTS 27 and 28, now need a broad supply of quality market data, in a variety of asset classes and different liquidity types, to support and demonstrate that at the point of execution a fair value was achieved. As a result of the RTS 27 and 28 report updates, you will need to prove that you have fulfilled these obligations.

Best execution can be readily proven by comparing the price and size of a transaction with a time-stamped alternative from another liquidity venue.

Central to this and many of the issues around best execution is the critical, reliable and extensive supply of good quality market data. As the operator of 11 compliant venues, TP ICAP's Data & Analytics division is ideally placed to provide this and to help you with your transparency and best execution obligations.

## Your best data source

As regulation continues to reshape the marketplace, the management of data becomes fundamental across organisations. TP ICAP, as the world's largest interdealer broker, is ideally placed to provide comprehensive data coverage. Our Data & Analytics division has 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 (see trading venue structure diagram).

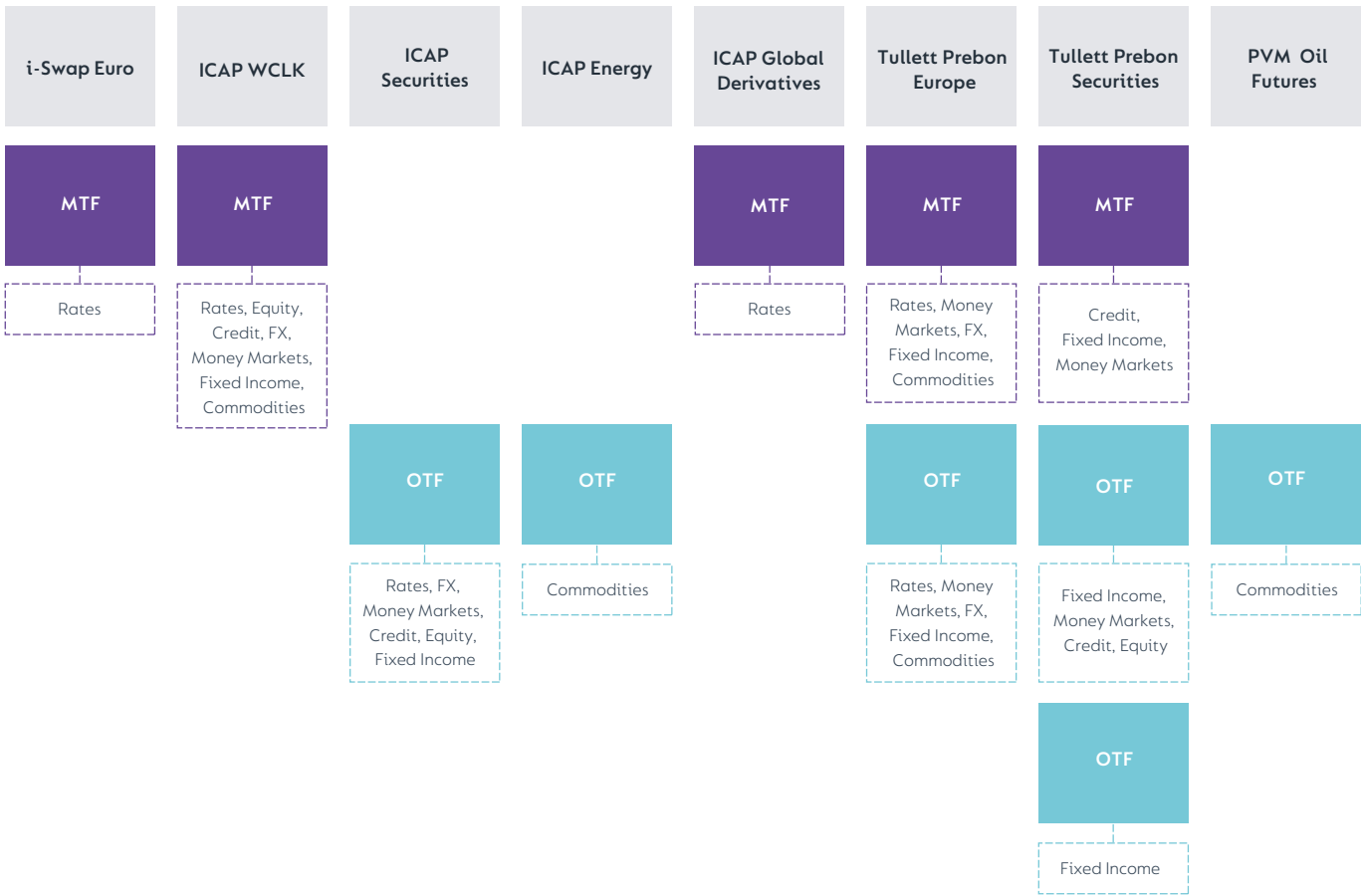
We deliver market data for an extensive range of asset classes, consolidated through one service. This includes data from:

- FX including forwards, NDFs and options
- Equity Derivatives including ETFs, Equity options and Equity Swaps
- Commodity Derivatives including Energy commodity futures/forwards, Oil forwards, Metal commodity options, Agricultural commodity futures/forwards
- Credit Derivatives; e.g. Index Credit Default Swaps, Single name Credit Default Swaps (CDS)
- Securities including ADRs and Bonds
- Interest Rates Derivatives including OIS, FRAs, IR Options and IR Swaptions.

Our coverage of market data is broad, extensive in terms of instruments and is delivered using consistent taxonomy. We achieve this by offering the European Securities and Markets Authority (ESMA) trade report fields which come with the added value of the mandated common code: International Securities Identification Number (ISIN). This will allow firms to integrate the data into their workflows via our APIs. Our clients will be able to use the ISINs to look for proxy products to benchmark execution against – with the added benefit of synchronised time stamps.

## Trading venue structure

TP ICAP operate 11 venues, using CLOB, auction and voice systems



### How will investment companies respond to different types of execution requests, such as Credit Limit Order Book (CLOB), or those made by voice requests in a more transparent market?

It will require more data mining and the ability to access more sources of data. Firms will need to know the primary markets where instruments are traded and source the appropriate pricing information as liquidity shifts across venues.

Access to our data can help clients judge whether they are offering clients fair value and fulfilling their best execution obligations.

We are excited to present this comprehensive and extensive service that will help our clients fulfil their regulatory obligations and support them building out successful commercial strategies. Our goal is to partner with our clients and help them take advantage of the opportunities presented by this regulatory change.



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## Get in touch

For further information, please visit our MiFID II pages at: [tpicap.com/what-we-do/MiFID-II](http://tpicap.com/what-we-do/MiFID-II)

For all data enquiries, contact our data and analytics division on:

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