



Ailancy   
Advisory for Leadership & Consistency

# Best Execution in Post MiFID II World Are you up to Speed?

May 2018

A business consulting company specialized in the financial industry



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Our mission is to assist you in shaping the future of your business and organization

With more than 500 missions achieved since our launch in 2008, Ailancy is your favorite partner to meet your business challenges, foster your strategic and operational thinking and lead your key transformation projects.



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# MiFID II Best Execution Challenges

Not only a few new reports to implement ...

MiFID II introduces a requirement for firms to undertake **all sufficient steps** to achieve the best possible results for their clients when executing orders, raising the bar from **“reasonable steps”**. Moreover, based on market-wide discussions, **Best Execution** may most certainly be one of the **next MiFID II Thematic Reviews led by local Regulators**



## MARKETING CHALLENGE

Best Execution introduces a major challenge in implementing a global framework as it impacts **all asset classes** (Rates, FX & Derivatives), **all activities** (Market-Making RFQ, Brokerage, RTO, Sell/Buy Side), **Liquid & Illiquid Products**. Furthermore having **representative** and **independent data sources** is key for accurate results



## GOVERNANCE CHALLENGE

01

## REGULATORY CHALLENGE



02

While most of the industry interprets Best Execution as a **pure regulatory requirement**, we truly believe that it should be considered as a **selling factor** and an opportunity to demonstrate to clients the **service added value**

03

## IMPLEMENTATION CHALLENGE



04

Firms should have a strategy to ensure that **all relevant parts of the Business** are compliant in ensuring Best Execution. There should also be **clear management responsibility** and coordination between front office and compliance to ensure a **robust monitoring framework**

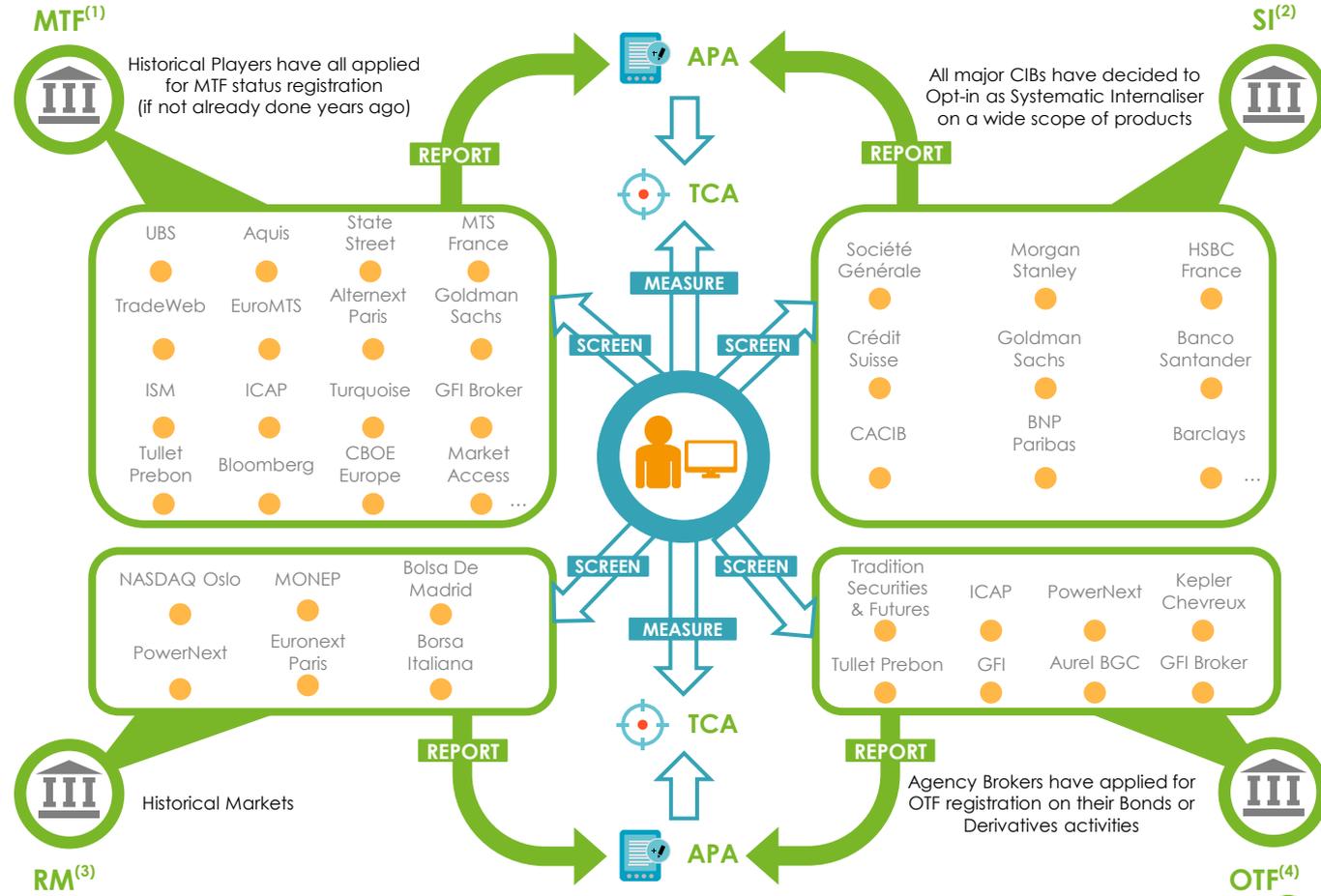


# MiFID II a New Market's Landscape

Non Exhaustive List

Institutions have now to navigate and demonstrate Best Execution in a new Market landscape led by Transparency

- Greater Transparency**  
 Requirement introduced by MiFID II force Market Players to **operate under new Status**
- Multiples New Status** adapted to **Traded Products** and different **Types of Execution**
- New Market Landscape** enabling a new capacity of **screening** and **measuring** Best Execution throughout **Transparency Requirement**
- Evolving **technology** with advanced **TCA** tools expanding their scope of products and functionalities



# Building a Robust Framework

1

## Define how to Measure TCA

According to **its business, type of execution** and **trading products** each and every financial institution should define what **Best Execution means** to them and how to **measure it**. The main challenge of TCA is to determine whether a trade price is **“fair”** given market conditions at the time the trade was processed.

2

## Ensure an Effective Audit Trail

Best Execution exercise implies that firms have to be able to provide a **clear and detailed measurement** of their executions. As a consequence **every steps** of the trade execution process, including pre-trade voice channel should be capture within **an effective Audit Trail**.

3

## Properly use Data

One of the most important factors in TCA analysis is **Data**. Time stamped tradable data is actually the **driver of TCA** and will become more & more reliable thanks to the **Post-Trade Transparency regime**. Use of Data is at the **cornerstone** of Quality of Execution measurement : completeness and accuracy is indeed key for properly measure Best Execution

4

## Set up an Accurate Monitoring

Given the Regulatory Requirement to monitor on a continuous and regular basis its execution arrangements, financial Institutions will have to **reassess their governance arrangements** for a proper and consistent monitoring across all business lines . **Go beyond** the **“Reasonable Steps” to the “Sufficient Steps ”meaning** setting-up a virtuous auto-challenge framework

5

## Regulatory Reports Production

Sometimes the only thing thought as new with MIFID II for Best Execution, new **regulatory reports to produce** (RTS 27 & 28) : Top 5 Venues, Quality of Execution Report but also the On - Client Demand proof of Best Execution

6

## Refine Best Execution Policy

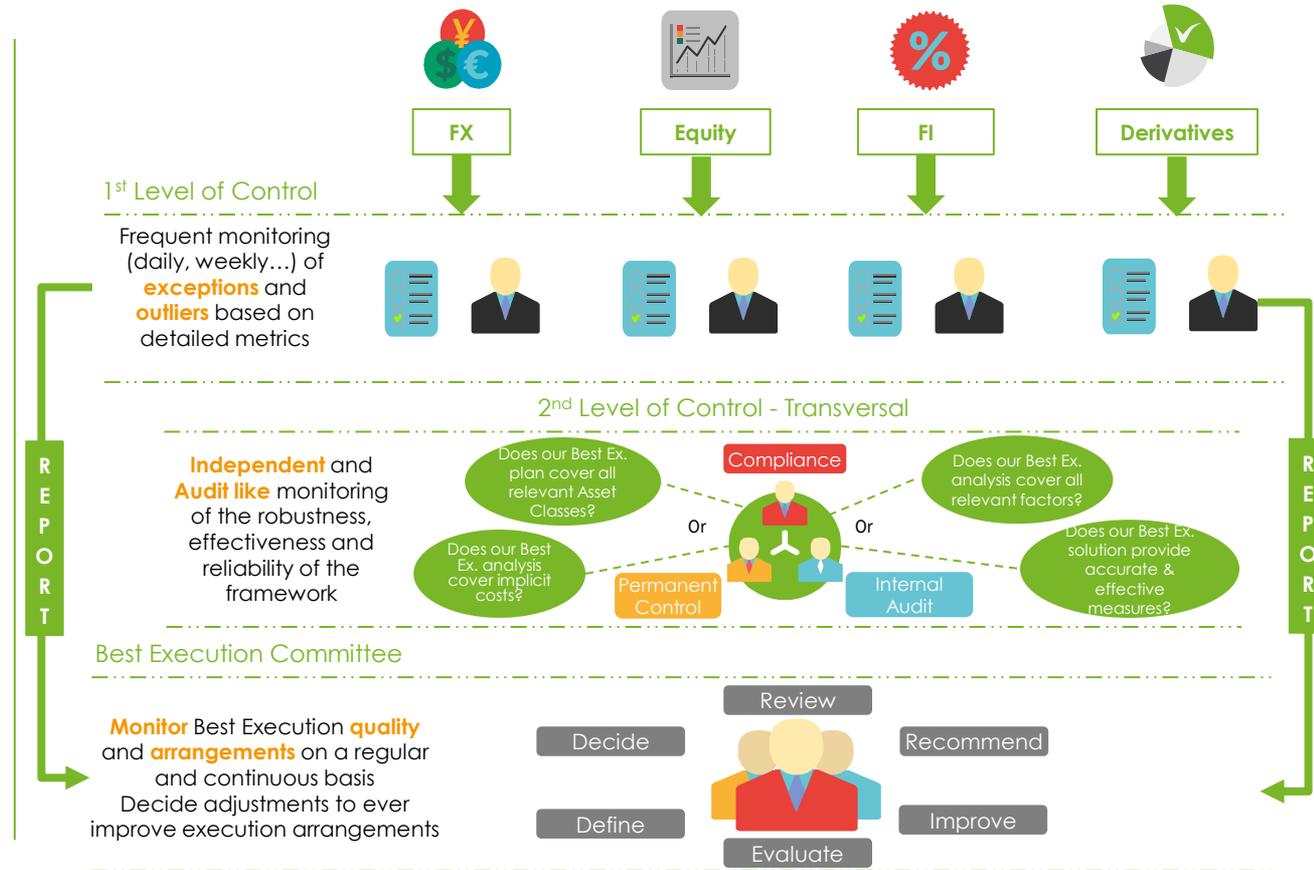
Best execution policies, sometimes very generic so far have now to **describe precisely** execution arrangements, best execution factors and the monitoring framework tailored to each asset-class, type of execution and other factors such as liquidity, order size, ...



# Setting Up a robust Best Execution Governance

Best Ex monitoring is not only a question of Data & Reporting, it should be based on a robust Governance with management oversight

- Involvement of **appropriate stakeholders** and **clear roles** in the best execution review process
- Make sure **Governing Body** has an **oversight** on global execution quality and is informed on any **material issue** within the monitoring framework
- Defined **escalation processes** and protocols to identify significant **trends** based on multiple levels of control

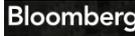


# Select the right(s) Best Execution Tools

## Multiple factors to take into account

- A **fragmented offer** articulated around **pure players** and dedicated modules provided by **Global suppliers**
- Availability, Completeness and Accuracy of Data** related to execution quality are crucial
- Industrialization** of the monitoring process with exception-based alerts will foster thorough control
- Enhanced Reporting** for clients is a key **differentiating factor** and a **selling point** across the Industry

Detailed analysis on a tool by tool provider on-request

	BEST 	LiquidMetrix Best Execution, Quantified 	ITG 	TS TRADINGSCREEN 	Bloomberg 	Tradeweb 
 Equity	Not Covered	Fully covered	Fully covered	Fully covered	Not Covered	Not Covered
 Derivatives	Partially Covered	Partially Covered	Partially Covered	Partially Covered	Partially Covered	Partially Covered
 FX	Fully covered	Partially Covered	Partially Covered	Partially Covered	Partially Covered	Not Covered
 Bonds	Partially Covered	Partially Covered	Partially Covered	Fully covered	Fully covered	Fully covered
 Multiple & Independent data sources	Fully covered	Fully covered	Fully covered	Fully covered	Partially Covered	Partially Covered
 Trading Costs Analysis	Fully covered	Fully covered	Fully covered	Fully covered	Fully covered	Fully covered
 Pre-Trade/Real Time Analytics	Fully covered	Not Covered	Partially Covered	Fully covered	Partially Covered	Partially Covered
 Post-Trade Analytics	Fully covered	Fully covered	Fully covered	Fully covered	Fully covered	Fully covered
 Custom Report Generation	Fully covered	Fully covered	Fully covered	Partially Covered	Fully covered	Partially Covered
 Custom User Interface	Fully covered	Partially Covered	Fully covered	Partially Covered	Partially Covered	Partially Covered
 Outliers & Exceptions Management	Fully covered	Fully covered	Fully covered	Fully covered	Fully covered	Fully covered
 Workflow Management	Fully covered	Not Covered	Fully covered	Fully covered	Fully covered	Fully covered

As of Date of the Study



Fully covered



Partially Covered



Not Covered

# How Ailancy Can Help You?

Ailancy has a proven footprint on assessing and implementing global Best Execution framework



## Best Execution Framework Assessment

Review of governance, systems, control, policies & procedures, ... versus regulatory standards and Market practice



## Design of Best Exec Target operating Model

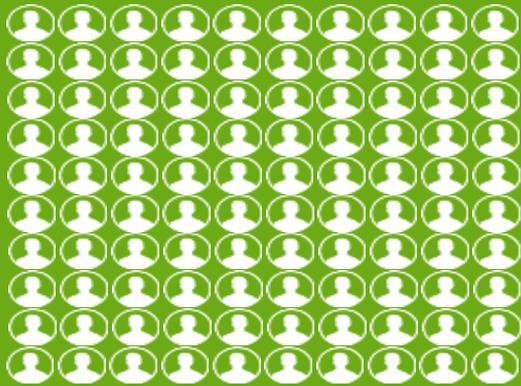
Setting-up of governance, Execution factors and associated reports. Monitoring framework and operational procedure



## Selection / Implementation of Best Execution Tools

Selection of OMS/EMS to provide Best Execution/Best Selection  
Selection of TCA tools to measure Best Execution





# 100 Staff

As of December, 31 2017

# Parity



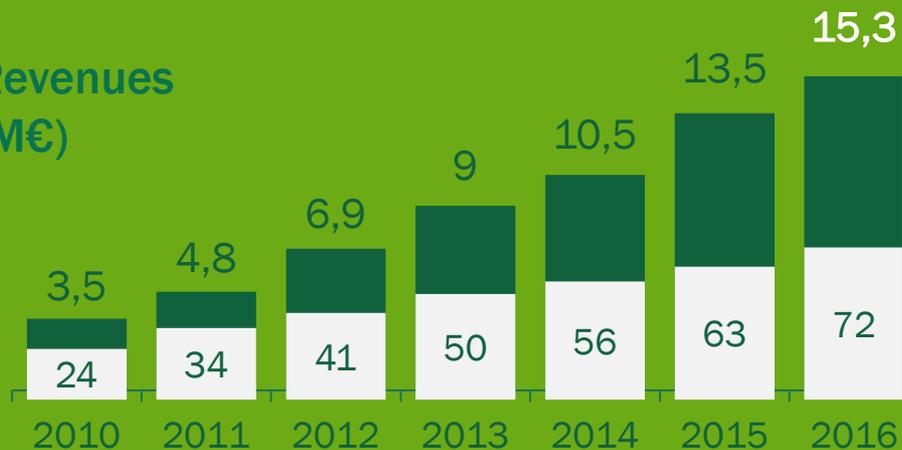
# 500 Missions Completed



1/4 International  
Missions

# Creation Date 2008

Revenues  
(M€)

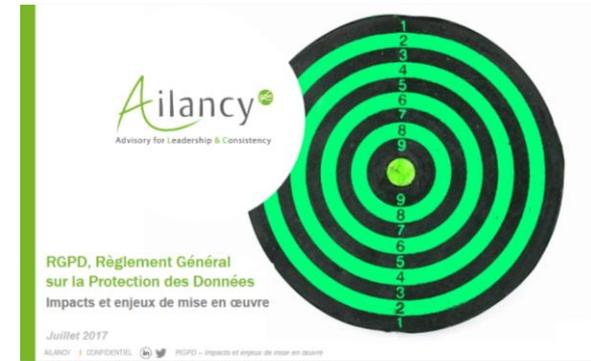


Average  
Staff

# 100% Independent 9 Partners



# Some Ailancy Publications



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