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MiFID II Concerns Driving Buy Side to Review Best Execution Policies amidst Tsunami of Recent Regulations, According to TABB Research

Data Issues Dominate Challenges Surrounding Best Execution for 84% of Firms; Only 13% Believe They are Prepared to Address Regulatory Requirements

NEW YORK & LONDON, December 1, 2015 – Best execution across Europe is firmly fixed in regulators' sights to a point where regulatory concerns have now overtaken enhanced execution performance incentives, driving the review of best execution policies by buy side investment firms – and not just in Europe.

According to TABB Group consulting analyst Rebecca Healey, the latest challenge is the interpretation of [Article 27 of MiFID II](#) and the proposed [Regulatory Technical Standard 28](#), requiring investment firms to take all "sufficient steps" to achieve best execution, including publication of the quality of execution and internal monitoring processes to verify effectiveness of the execution.

While recent events and changing market structure potentially make best execution harder to achieve, says Healey, who wrote "[Best Execution: The New Partnership](#)" based on interviews with 81 global heads of trading, the new regulations will intensify these challenges. Whether as a client or investment firm executing client orders, demonstrating best execution from a fiduciary and regulatory perspective will demand a change in approach. From the buy side internally reassessing what best execution means, to communicating requirements to the sell side, as well as incorporating technology to demonstrate effective monitoring, this will require an investment in stronger partnerships throughout the execution life-cycle.

A sampling of results from this comprehensive [26-page, 29-exhibit study](#) includes:

- Access to accurate, reliable, timely data is the main challenge
- 81% of buy-siders are reviewing or reviewed policies in the past 12 months; in the UK alone, 90%
- Segregating electronic, voice and OTC flow is the greatest challenge in selecting the top 5 brokers
- 86% are monitoring their best execution practices with EU and UK firms using TCA and analytics; in the US, 59%
- 90% say FIX was a minimum requirement to receive working orders
- 43% overall plan to invest in TCA and analytics technology to ensure compliance, rising to 64% for the EU, 48% for the US but dropping to 18% for the UK, now focusing on surveillance and data storage

"While individual interpretation of best execution may continue to differ according to the participant, investment strategy or time of trade," says Healey, "it will be those firms that focus on building partnerships to demonstrate greater transparency in the execution process, as well as consistently improving their execution performance, who will be delivering true 'best execution' in the future."

The report is available for download by TABB global equities clients and qualified media at <https://research.tabbgroup.com/search/grid>. For the [Executive Summary](#) or to purchase the report, write to info@tabbgroup.com.

About TABB Group

With offices in New York and London, [TABB Group](#) is the research and consulting firm focused exclusively on capital markets, based on the interview-based research methodology developed by Larry Tabb. For more information, visit www.tabbgroup.com.

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