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Integration of Transaction Cost Analysis is Fundamental for Redefining Best Execution in Fixed Income Markets, says TABB Group

NEW YORK & LONDON, July 27, 2016 – [TABB Group](#) research on credit trading indicates that banks are battling the rising cost of running their bond businesses by increasingly favoring a riskless-principal or order-driving trading model that leaves the responsibility to determine the best price for a bond increasingly shifting to pre-trade and real-time price modeling. As a result, increased transparency requirements, along with the proliferation of execution protocols and venues, are beginning to outpace the ability of participants in the global bond markets, making [fixed income](#) transaction cost analysis (TCA) tools essential for the buy-side to validate investment decisions.

New TABB research, "[Best Execution in Fixed Income: A Work in Progress](#)," examines the growing array of third-party TCA solutions, how each satisfies evolving best execution standards and the ways these tools can be incorporated into existing workflow. TABB global head of research and consulting, [Anthony Perrotta](#), and analyst [Colby Jenkins](#), who co-authored the report, explain that the majority of bonds trade too infrequently to create an equity-like execution benchmark and these murky waters in bond pricing are center to the credit market's best execution conundrum.

"The time when market participants could independently benchmark their own execution performance and adequately satisfy internal compliance or fiduciary obligations is gone," says Perrotta. "The challenge for the solution providers trying to take their place is to make clients comfortable with the approach they are taking in establishing a benchmark baseline for bond pricing. This challenge will be compounded when solutions need to be applicable across the board for different securities, depending on the clients trading profile."

Looking at established companies that are ahead of the curve in bringing robust TCA analysis to the fixed income market, TABB cautions that these tools are still in their nascent states and TCA and compliance policies remain a moving target from firm to firm. The new standard for satisfying best execution standards will likely be a combination of internal expertise and third-party market analysis tools. The success of these supporting tools, however, lies in the ability for clients to easily integrate them into existing workflows.

The 17-page, 11-exhibit report is now available for download by TABB's Research Alliance fixed income clients and pre-qualified media at <https://research.tabbgroup.com/search/grid>. For more information or to purchase the reports, contact info@tabbgroup.com.

About TABB Group

With offices in New York and London, TABB Group is the international research and consulting firm focused exclusively on capital markets, based on the interview-based, "first-person knowledge" research methodology developed by Larry Tabb. For more information, visit www.tabbgroup.com.

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