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Public Hearing on MiFID review 20th September 2010

**Thomson Reuters Perspective as part of Panel on Data Consolidation –
fixing the failures and supporting best execution**



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What are the current deficiencies?

MiFID introduced trade reporting obligations but, with hindsight, lacked enough detail and mechanisms to ensure data quality. As a consequence there has been:

- Over-reporting,
- Errors in reporting,
- Insufficient trade flags – lack of granularity

Cost of exchange feeds for real-time data too high for real time trade tape

Lack of awareness and demand for consolidated data regardless of cost or quality issues

- Best Execution obligations very broad. Price is only one factor to consider
- Best Execution policies reflect established trading practice
- Retail execution still on primary exchanges or mechanisms with reference to pricing (Retail Service Providers in UK))

What needs to be improved?

CESR technical advice to the Commission addresses most of these points if implemented thoroughly and consistently across Europe.

- Clear guidance on what and what not to report
- APA regime to ensure quality in OTC reporting
- Clear standards in how to report to ensure consistency
- Stock identifiers, time stamping, trade identifiers, consistent trade flags
- Lower cost through – free access after 15 minutes, unbundling of trade data in real time feeds

Clearer guidance on how the pricing element of Best Execution should be monitored.

Is a Consolidated Tape a real solution?

- Vendors already provide consolidated trade and quote data but these are not widely used. Most data consumers outside the largest global firms continue to use the data from the primary exchanges.
- Producing a centralised, standardised, real-time consolidated tape will not meet any specific customer need. It is unclear who would use it and why without a regulatory requirement to do so
- In real-time users want a consolidated quote and BBO that is customisable to their specific needs and execution policy
- To make a real-time consolidated tape would have to involve price regulation of data feeds to make it sufficiently cheap
- It would be expensive to run with no clear commercial model for revenues – how would it be financed?

A Consolidated Tape or a Tape of Record?

But there is a need for a Standard Consolidated Tape of Record

This would provide a consistent historical record of all the trading activity in EU traded stocks that could be used for Best Ex validation.

It would be defined by a set of standards that could be agreed through an industry initiative but with the endorsement of the Commission within clearer price related Best Execution obligations.

It would not be a real-time feed although it could be supported in a delayed feed if there proved to be demand for this.

As a consequence it would avoid all the issues of real-time data feed costs

We recommend the Commission focus the industry to establish and implement these standards rather than press for a real-time centralised consolidated tape data feed.