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An end-of-day execution analysis file – an effective solution to the identified use-cases

Given the current trading landscape, it is imperative to consider the added value of a mandated consolidated tape (CT) for equities compared to existing solutions. The question of use-cases is the critical starting point.

A study produced for the European Commission by Niki Beattie and Market Structure Partners identified and analysed 14 use-cases for the CT on the basis of which it recommended the establishment of a real-time post trade CT in the first instance, followed later by a real-time pre-trade CT. However, the overwhelming majority of the use-cases identified, which are already serviced today by existing vendor or in-house solutions, do not require a real-time CT and could be met by the creation of an **end-of-day tape**.

It is important to underline that there are a myriad of issues one must consider when looking at a real-time CT: (i) a real-time pre-trade CT would, given the number of venues in Europe, advertise a misleading sense of liquidity, which, were it to be used for best execution purposes, would create a flawed and easily gameable benchmark to the detriment of investors, especially retail; and, (ii) a real-time post-trade CT would, while not raising the same level of policy concerns as real-time pre-trade, be costly to set up and manage but also divert precious time and resources from key initiatives that would strengthen the EU's capital markets.

Instead, it is our view that policymakers should focus on a scope design which balances meeting as many of the identified use-cases as possible, against avoiding potential problematic policy evolutions in respect of best execution and achieving a cost effective outcome for the industry. **Fortunately, a solution based around an end-of-day execution analysis file would satisfy these requirements.**

An end-of-day execution analysis file containing post-trade data enhanced with trade sides and available volume at execution time would represent the most appropriate solution to address the need for consolidation. Such a file would cover 100% of data sources and carry post-trade data together with information on liquidity available at execution. It would enable market participants to assess fragmentation and available liquidity across venues, as well as to support execution analysis allowing investors to validate the execution provided by their brokers. It would constitute a distinct offering and would not burden market participants with duplicative costs.

In any event, a number of principles must underpin any CT, notably it should: (i) cover 100% of data sources (venue and OTC) to maximize transparency, (ii) be underpinned by improved data quality, and (iii) be based on the principle of mandatory contribution and mandatory use by all market participants, including mandatory payment.

As a pre-requisite to any form of consolidation, it is essential to radically improve practices in terms of data completeness, accuracy and timeliness of reporting, as well as establishing standardised practices in the flagging of trades and granularity of time stamps across all data sources. It is paramount that this type of work be headed by an independent and neutral body, such as ESMA.