



CF Global Trading - MiFID II compliance

Like many of our UK and European asset management clients, CF Global must meet MiFID II obligations around best execution, trade monitoring and cost measurement. Here's how asset managers can address these requirements by working with our global team.

Topic	Regulatory Text	CF Global Feature
Unbundling	<p>"An investment firm providing execution services shall identify separate charges for these services that only reflect the cost of executing the transaction.</p> <p>"... the supply of and charges for those benefits or services shall not be influenced or conditioned by levels of payment for execution services." (Directive 2014/65/EU, Article 13 (1))</p>	<ul style="list-style-type: none"> ➤ Execution is our core business ➤ No research, no prop trading book ➤ Arms-length relationship between CF Global and our clients removes any potential conflict of interest between payment for research and trading
Best Execution	<p>"The obligation on firms to monitor best execution has several different components ... Monitoring enables firms to demonstrate to themselves, to clients and to us that best execution has consistently been achieved" (FCA)</p>	<ul style="list-style-type: none"> ➤ Broker-neutral execution ➤ 330 brokers and 50+ electronic venues ➤ Using CF Global demonstrates consistent process to asset owners and regulators
Best Execution (2)	<p>"Whilst firms remain subject to the same overarching obligation to obtain the best possible results on a consistent basis when executing client orders, the requirement for "sufficient" steps sets a higher bar for compliance than "reasonable" steps." (ESMA)</p>	<ul style="list-style-type: none"> ➤ Pre-trade analysis to optimise order timing ➤ Consistent trade workflow ➤ 'Virtuous circle' governance / review cycle

Total Cost

“Implicit costs arise from the execution of all client orders. Firms should measure implicit costs as part of their arrangements to monitor execution performance and review the execution quality of entities or execution venues.” (FCA)

- Focus: what is the total cost of trading?
- Deploy pre-trade analysis tools
- Broker-neutral execution
- Measure market impact with detailed and broker-neutral analysis

Monitoring

“Effective second line of defence monitoring and challenge therefore helps support firms’ delivery of best execution ...

”...the second line of defence can contribute to the overall responsibility of management to consistently deliver best execution. (FCA)

- CF Global as a fund’s ‘second line’ supports need for independent challenge
- Broker-neutral execution across multiple brokers and electronic destinations
- Independent TCA validates client own analysis

Management Oversight

“There should be channels in place to ensure that the results of ongoing execution monitoring are escalated to senior management and/or relevant committees...” (ESMA)

“Firms’ senior management also need to use the results of their robust monitoring and substantive review of their execution arrangements ... to enable them to demonstrate to clients that they are delivering best execution on a consistent basis.” (FCA)

- Execute – Analyse – Review – Improve
- Broker-neutral execution
- Evidence-based analysis: data + notes feed trade audit function
- Regular governance meetings with us simplify and support management oversight

Venue Selection

“In order to comply with the requirement under Article 24(1) of MiFID II to act in the best interests of its clients, firms will need to regularly assess the market landscape to determine whether or not there are alternative venues that they could use” (ESMA)

- 330 brokers and 50+ electronic destinations
- Regularly evaluate venues as part of our daily trading process
- Constantly evaluate new dealing options for all clients

Consistency

“When designing their execution policies and establishing their execution arrangements, firms will have to ensure that the intended outcomes can be successfully achieved *on an on-going basis*.”

- One global team
- Institutional workflow
- ‘Virtuous circle’ of governance including broker-neutral TCA and trade audit

“This will require firms to monitor not only the execution quality obtained but also the quality and appropriateness of their execution arrangements and policies on an ex-ante and ex-post basis to identify circumstances under which changes may be appropriate. (ESMA)”

Reference Documents

MiFID II <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0065>
MiFIR http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.173.01.0084.01.ENG
FCA PS 17/14 <https://www.fca.org.uk/publication/policy/ps17-14.pdf>