

CESR Technical Advice on Investor Protection and Intermediaries, Ref.: CESR/10-417. Response by Burgundy AB

Part 2: Execution quality data

Question 13: Do you agree that to enable firms to make effective decisions about venue selection it is necessary, as a minimum, to have available data about prices, costs, volumes, likelihood of execution and speed across all trading venues?

Answer: Yes, Burgundy agrees that this data is essential for designing Best Ex offerings to clients, however – we are skeptical that a regulator defines the relevant metrics and definition for participants. Indeed, trading participants already today gather information about the mentioned elements to assess execution quality and make decisions thereafter on an informed basis, entirely without regulatory guidance.

Furthermore, a regulatory system may risk neglecting some of the factors of the best execution rules, while overvaluing those factors that can be measured most easily, in particular price. We propose that this evaluation is left to participants to collate and analyse themselves.

Question 14: How frequently do investment firms need data on execution quality: monthly, quarterly, annually?

Answer: Liquidity moves quickly, offering changes rapidly, however it is up to each trading participant to decide and we think monthly reviews / updates is a good frequency.

Question 15: Do you believe that investment firms have adequate information on which to make decisions about venue selection for shares?

Answer: We believe that the data to gather this information is available but at a significant cost, thereby limiting the number of firms who really have access and full data for analysis.

Question 16: Do you believe investment firms have adequate information on which to make decisions about venue selection for classes of financial instruments other than shares?

Answer: With respect to ETFs and Equity Warrants: Yes. Other instruments: no opinion.

Question 17: Do you agree with CESR's proposal that execution venues should produce regular information on their performance against definitions of various aspects of execution quality in relation to shares? If not, then why not?

Answer: Burgundy does not agree with the CESR proposal. It is of low relevance to measure on a specific exchange. There is no benchmark to compare against. In addition, certain firms may have the resources / investments to invest in co-lo and large bandwidths, thereby buying a faster roundtrip compared its peers.

Question 18: Do you have any comments on the following specifics of CESR's proposal:

- imposing the obligation to produce reports on regulated markets, MTFs and systematic internalisers;
- restricting the coverage of the obligation to liquid shares;

- the execution quality metrics;
- the requirement to produce the reports on a quarterly basis?

Answer: Burgundy does not have any input. We believe this is a sell side question.

Question 19: Do you have any information on the likely costs of an obligation on execution venues to provide regular information on execution quality relating to shares? Where possible please provide quantitative information on one-off and ongoing costs.

Answer: Burgundy does not have any input. We believe this is a sell side question.

20. Do you agree with CESR that now is not the time to make a proposal for execution venues to produce data on execution quality for classes of financial instruments other than shares? If not, why not?

Answer: Burgundy agrees.