Portfolio Valuations | Best Execution: OTC Derivatives

An independent, multi-contributor, validated service providing post trade performance data to help measure and manage best execution.

Evolving market practices and global regulations such as MiFID II, PRIIPS and RG97 have increased scrutiny for best execution practice, while at the same time expanding the range of trades to include over the counter instruments. As the concept of best execution has developed, the need to measure and manage increasingly complex trades and execution processes has grown.

Our best-in-class OTC derivatives valuation data can help firms comply with Best Execution requirements through the provision of time-stamped valuation data for monitoring intraday and historic transaction costs. We can seamlessly calculate OTC trade slippage, which is the difference between the executed and expected price of transactions. Trade slippage can be expressed in a range of price or market sensitivity terms and firms can use this information to confirm execution quality and prepare reports on trading effectiveness.

Multi-Asset Coverage for TCA

Since 2011, IHS Markit has provided sophisticated tools for best execution and transaction cost analysis (TCA), covering a widening array of assets, including Equities, Bonds, FX, Bank Loans, Money Markets and CDS.

Expanding coverage to OTC derivatives has long been regarded as a challenge due to their complexity and the availability of quality market data. As a leading source of market data for OTC derivatives, our solution provides the ability to validate and contextualize the effectiveness, quality and timeliness of each transaction which can be used as inputs to transaction cost analysis.
IHS Markit multi asset best execution analytics suite

Coverage & speed
The OTC Derivatives best execution solution encompasses a wide range of vanilla and exotic derivatives across multiple asset classes such as Interest Rates, Equities, FX, Credit, Commodities and Structured Products. We provide a fast delivery turnaround for large and complex portfolios, being able to deliver the output as one collated file for trades executed throughout the period.

Connectivity
Trade translation services are available to assist with connectivity to your existing systems, and clients who also use the Portfolio Valuations and/or MarkitServ services can leverage existing connectivity and trade inputs to simplify onboarding.

Transparency
Outputs are comprised of the arrival price and slippage metrics, including where Greeks and Sensitivities are expressed in slippage terms, plus additional metrics to support the valuation.

Data quality
Best-in-class quality independent data is used in valuing the trades. Extensive cleaning algorithms ensure that only the most applicable information is used in our valuations, including four levels of quality control checks. We employ industry standard methodologies and quantitative techniques with models that incorporate all relevant inputs of pricing, including volatility and where appropriate smile, skew and correlation. Market data sources include bank contributions, exchanges, clearing houses and IDBs, as well as IHS Markit proprietary internal data.

Dedicated support
Our dedicated global team of experienced analysts and financial engineers are available 24/5 in six locations globally and provide rapid resolution to queries, through a well-established challenge process post-valuation delivery.

More information on IHS Markit products and services

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