

MQSoftware's Q Nami 3.3 Offers Best X Trade Monitoring

Minneapolis-based MQSoftware, which specializes in monitoring transaction data through the trade life cycle, has released a new version of its Q Nami! Middleware add-on aimed specifically at the MiFID marketplace. Q Nami! 3.3 for MiFID is designed to help financial institutions meet the best execution requirements of the directive.

Acknowledging that the precise definition of best execution – and how firms need to demonstrate that they are achieving it for their customers – has yet to be finalized, MQ Software believes there is enough fundamental information to offer a solution for monitoring trade details and creating an audit trail that documents trading activities.

The company believes that it's clear that trading organizations will have to monitor and document all current quoted and executed prices for the instruments they're trading, and that they will need to maintain an audit trail of this information.

To this end, MQSoftware has included elements within Q Nami! 3.3 for MiFID that address the regulation's requirements for real-time trade transparency, best execution, outsourcing and service level agreement measurement compliance, data integrity and audit documentation.

Phil Hardy, U.K. MiFID specialist at MQSoftware says Q Nami! 3.3 gives clients a real-time view into their transaction streams. "Q Nami! has the capability to track items in the trading infrastructure and correlate them," he says. "Clients have used the system almost exclusively for real time trading environments to monitor their trades in flight. The system tracks

the trade as it moves from trading systems to middle office, to back office, to Swift and back. It sends out an alert if it gets stuck somewhere in that process, with thresholds set by the client."

So, where a client is outsourcing its back office processing to a third-party, such as a custodian bank, it could set a threshold of, say, 10 minutes that would alert it if it hadn't heard from its services provider 10 minutes after routing transaction details to it.

"While other providers have developed systems for monitoring individual elements of the trade cycle – transactions, database, application servers, networks," says Hardy. "We're different because we look at the whole lifecycle. We show whether the transaction is in flight, and if it isn't, why not? And where is it? This is an inherent problem: identifying where it is."

Q Nami! is usually used by clients to focus on performance and availability; "We specialize in keeping the plumbing working," as Hardy puts it. He says MQSoftware was attracted to MiFID because the volume of data it requires for best execution compliance would necessitate a huge, unwieldy and expensive data warehouse solution for firms pursuing that route.

Required data elements include details of all execution venues, market data from each, information on where the execution took place, price, any commission element (although precise details of that have yet to be ironed out) and settlement costs. This data has to be correlated in order to provide a coherent record of how a client's best execution interests were handled by the firm and made available to

regulators, if necessary.

Instead, Q Nami! works with existing systems and sources of data within the trade lifecycle. MQSoftware, Hardy says, finds this approach to be "cheaper, non-disruptive, and easy and quick to implement."

Says Hardy: "We produce all the records. But we're also selective about what we bring back. There's a lot of duplication of data in the trade lifecycle process. If you build a data warehouse with multiple venues, you're going to end up with a massive database."

MQSoftware's approach is to install small elements of code – known as collectors – which take out the necessary data from existing systems, and correlate them and store them in a way that makes them useful and easy to access. Data is appropriated using plug-ins and the Q Nami! API, and provided in a CSV file. The company makes available a GUI for configuring the system.

Internal benchmarking has shown that a typical transaction generates data of approximately 5k of memory. At 200 transactions per second, Hardy says, this indicates total annual requirement of only 3 terabytes of data per year.

As a result, Hardy says, MQSoftware believes it can fulfill the best execution element of the requirement at a fraction of the cost estimated by the likes of TowerGroup, which has suggested the regulation could cost as much as \$20 million per firm.

Hardy reports interest from firms seeking an alternative solution to the data warehouse for handling the best execution requirement. The company is now talking to consulting firms involved in MiFID with a view to offering Q Nami! as the best execution solution.

MiFID Monitor

KEEPING YOU ON TOP OF MiFID DEVELOPMENTS

Industry Cries Foul Over FSA Proposals For Benchmarking to Achieve Best X

Right on cue – and as exclusively predicted by *MiFID Monitor* back in May – the industry this month howled in response to the U.K. Financial Services Authority's recent discussion paper on best execution. The target of those responding to the FSA's call for comment: the dreaded Chapter 3 of *DP06/3 Implementing MiFID's best execution requirements*, released at the end of May, which floated the FSA's proposals for introducing some kind of price benchmarking for illiquid

securities in support of the best execution regulation.

The howls came in the form of comments filed by no fewer than four industry bodies: the London Investment Banking Association (Liba), which filed its comment paper in the second half of July; and the International Capital Markets Association (ICMA), the International Swaps and Derivatives Association (Isda), and the Bond Market Association (TBMA), which filed a

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CESR Seeks Comments on Plan For Level 3 Expert Group

European regulators' group CESR is looking for comments on its work programme for a new MiFID Level 3 Expert Group as it shifts focus away from providing technical implementing measures in favour of ensuring a consistent and seamless application in the day-to-day application practice of MiFID rules across Europe by CESR members. The move follows delivery of CESR's technical advice to the EU Commission and comes in advance

of the forthcoming adoption by the EC of the MiFID Level 2 implementing measures.

As part of the change, CESR is dissolving the previous three Expert Groups and its MiFID Steering Group, which prepared and submitted its Level 2 technical advice on the implementing measures. In its place are the new Level 3 Expert Group, two working sub-groups, intermediaries and markets, and a separate MiFID Consultative Working

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