

T **ADVANCED** TRADING

TCA AT WARP SPEED: PRESERVING ALPHA IN REAL TIME

To combat increasing market volatility and the speed advantage enjoyed by high-frequency traders, buy-side firms are employing transaction cost analysis tools to monitor and fine-tune their strategies intraday. [p.10](#)

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Demand Rises for Fixed-Income TCA

New regulations and higher trading costs are creating demand for new transaction cost analysis capabilities.

By Justin Grant jgrant@techweb.com

Demand for transaction cost analysis of fixed-income trades is on the rise as dealers grapple with higher costs and aggressive new regulatory guidelines that have raised the bar for transparency.

Since fixed-income trading outside of government bonds isn't nearly as fast and furious as it is in equities, most TCA reporting in the space has been done on a monthly or even quarterly basis. But buy-side traders are likely to push for more-timely reports on the heels of a sweeping measure last March by the Financial Industry Regulatory Authority (FINRA) to expand the Trade Reporting and Compliance Engine (TRACE) to include debt issued by federal agencies, government corporations and government-sponsored enterprises.

This marks a 50 percent jump in the number of debt securities subject to TRACE reporting requirements, an increase that may spark the development of next-day — or even real-time — TCA for fixed income, according to James Noser, president of Ancerno, a provider of TCA to the financial services industry.

Prior to instituting the new guidelines, TRACE only included real-time pricing and volume data on corporate bond trading in the secondary market. Now investors will have loads of previously unavailable market data to work with, Noser suggests, while regulators will be able to better

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—James Noser, Ancerno



detect malfeasance. The U.S. Securities and Exchange Commission is mulling similar measures for a range of asset-backed securities as well.

Meanwhile the rise in trading costs in the aftermath of the global financial crisis also is boosting demand for fixed-income TCA, Noser says. “With the rise in trading costs, ... more people are turning to reports like ours to see if they’re still getting treated well,” he asserts.

Piecing It All Together

In order to piece together fixed-income data for its clients, Ancerno culls information on governments, municipalities and corporations from a number of pricing sources, according to Noser. Subscribers in turn send Ancerno records of their trade executions, which the company analyzes and then packages into a report.

A former unit of broker-dealer Abel/Noser Corp., Ancerno is targeting pension foundations, endowments, asset managers and advisory firms with the service. “It’s a competitive environment, and we’re just trying to provide a tool that reveals to the investors and advisers how well they’re doing in the competitive race for best prices,” Noser comments, conceding that the time-consuming nature of the information-gathering process currently prevents the firm from providing even next-day reports for fixed income, let alone real-time reports.

Ancerno, which has more than 500 global clients that trade more than \$7.5 trillion in annual principal, allows users accessing its desktop application to either craft detailed fixed-income TCA reports or simply get a broad overview of their dealings. Clients also can subscribe to print reports on a monthly or quarterly basis. “They can take the 30,000-foot view if they like, or they can go right down into the weeds using this product,” Noser claims.

Since the market for fixed-income TCA is not as mature as it is for equities, Noser adds, he sees plenty of room for growth, particularly in Europe. ■

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