

IAA INVESTMENT ADVISER
compliance
CONFERENCE/2015

March 5-6, 2015 • Arlington, VA

SPONSORED BY  **Fidelity**
INVESTMENTS

SUPPORTED BY **ADVENT**

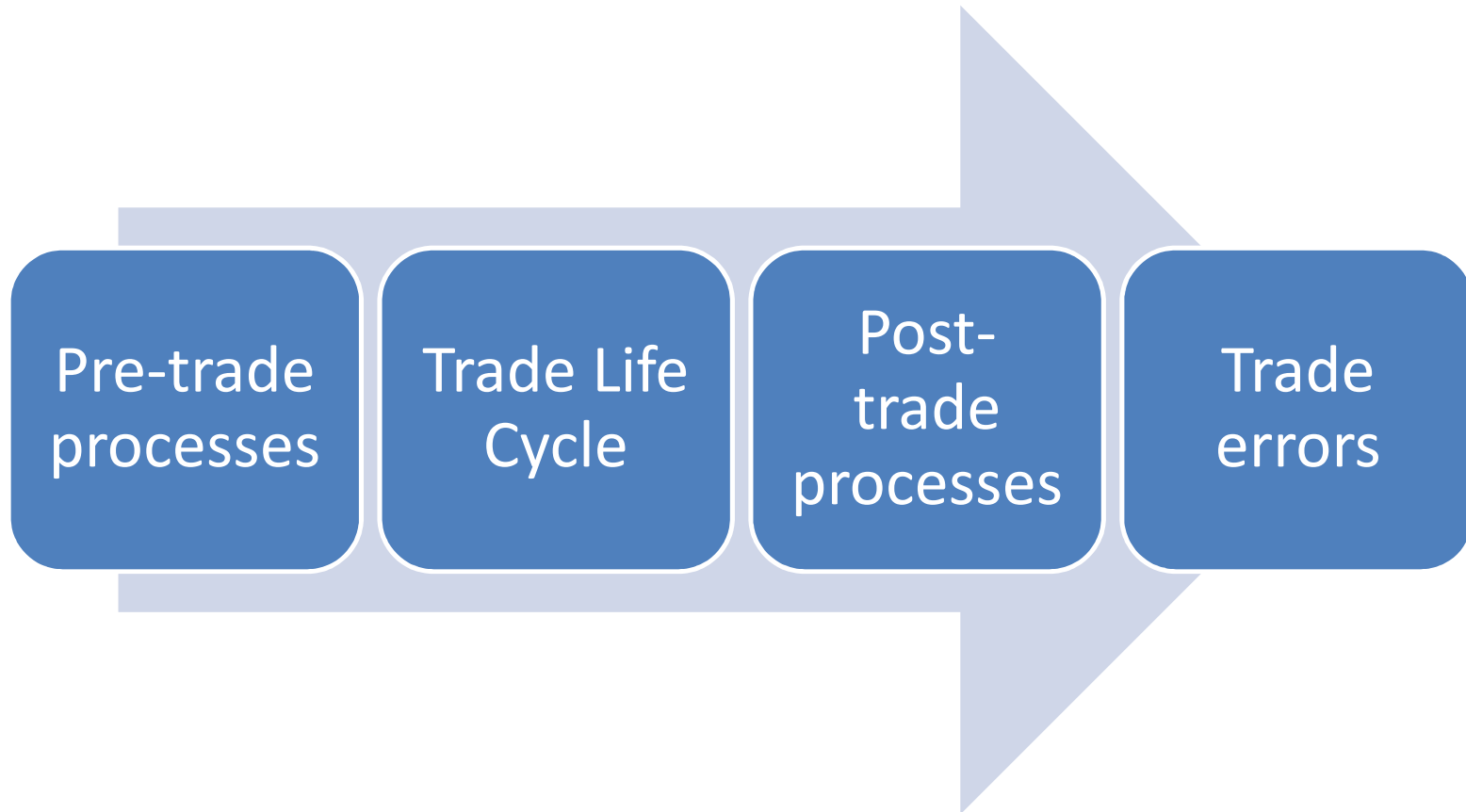


Effective Strategies
AND BEST PRACTICES

LIFE CYCLE OF A TRADE

- Monique S. Botkin, *Investment Adviser Association*, Moderator
- Christopher Marzullo, *Brandywine Global Investment Management*
- Alpa Patel, *U.S. Securities and Exchange Commission*
- Steven W. Stone, *Morgan, Lewis & Bockius, LLP*

Life Cycle of a Trade



Types of Traded Investments

Equities

Fixed
Income

Derivatives
(swaps,
futures,
options)

Currencies

Pre-Trade Processes

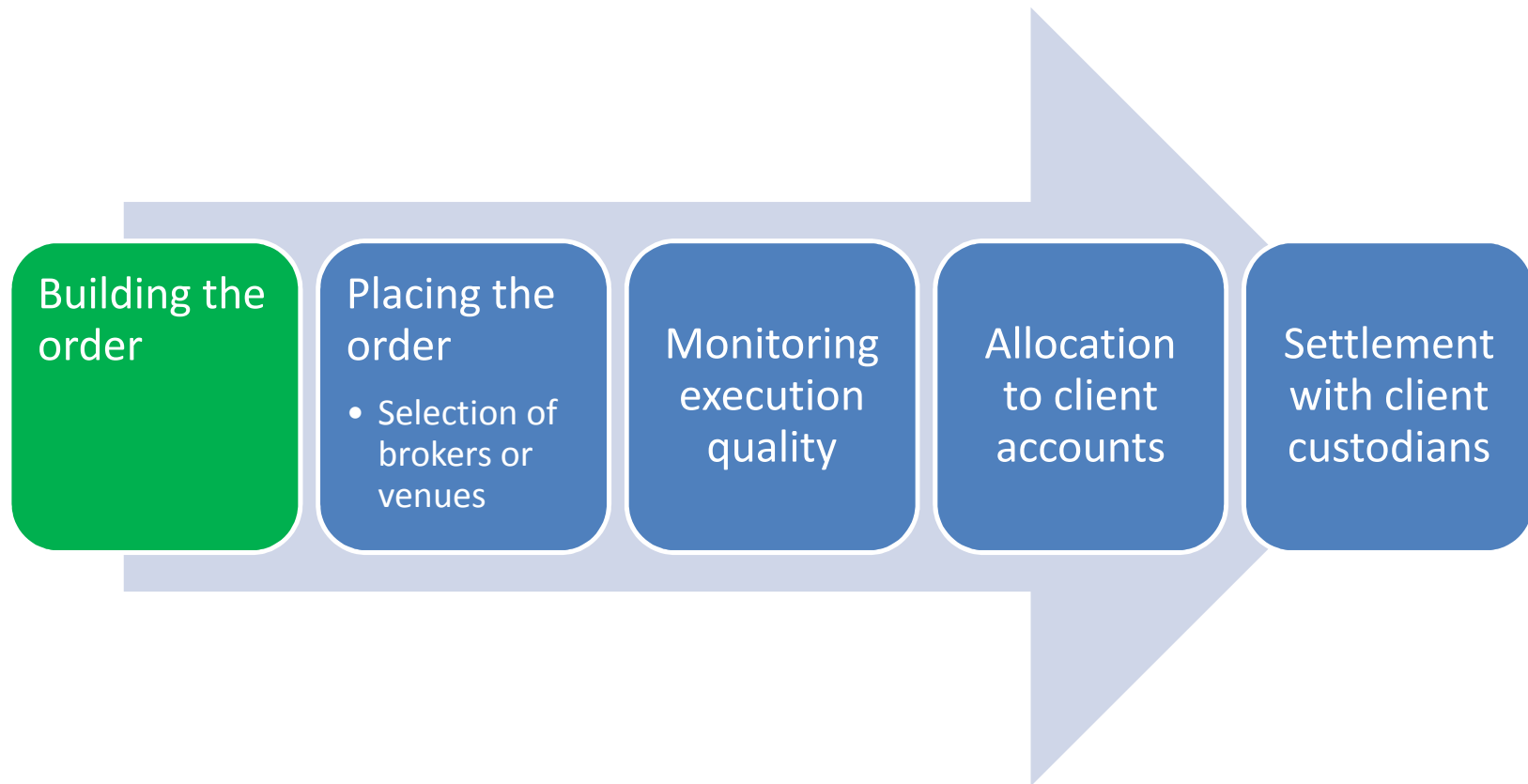
Broker Selection

- Due diligence
- Broker vote
- Affiliated brokers
(agency, agency cross
and principal trades)

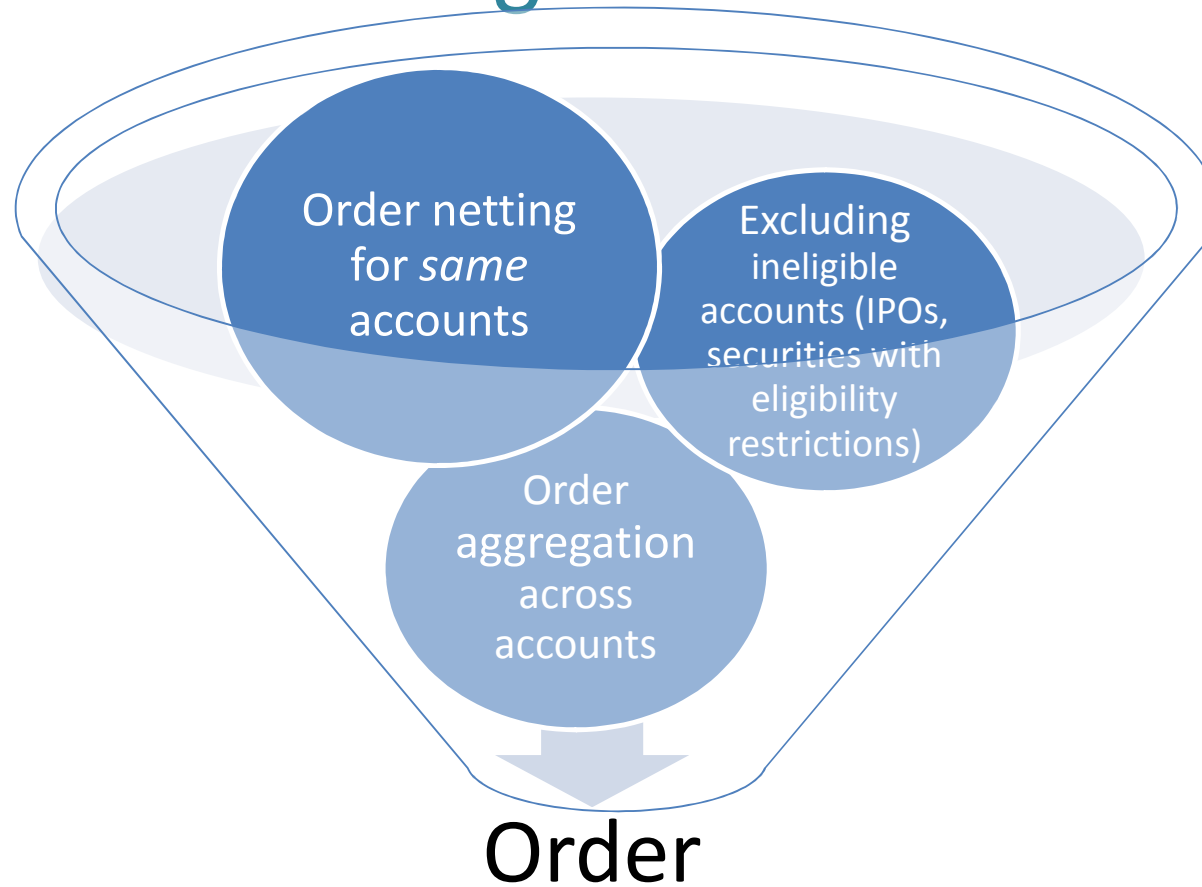
Soft dollar arrangements

- Reasonability
determinations
- Agreements with
brokers and providers

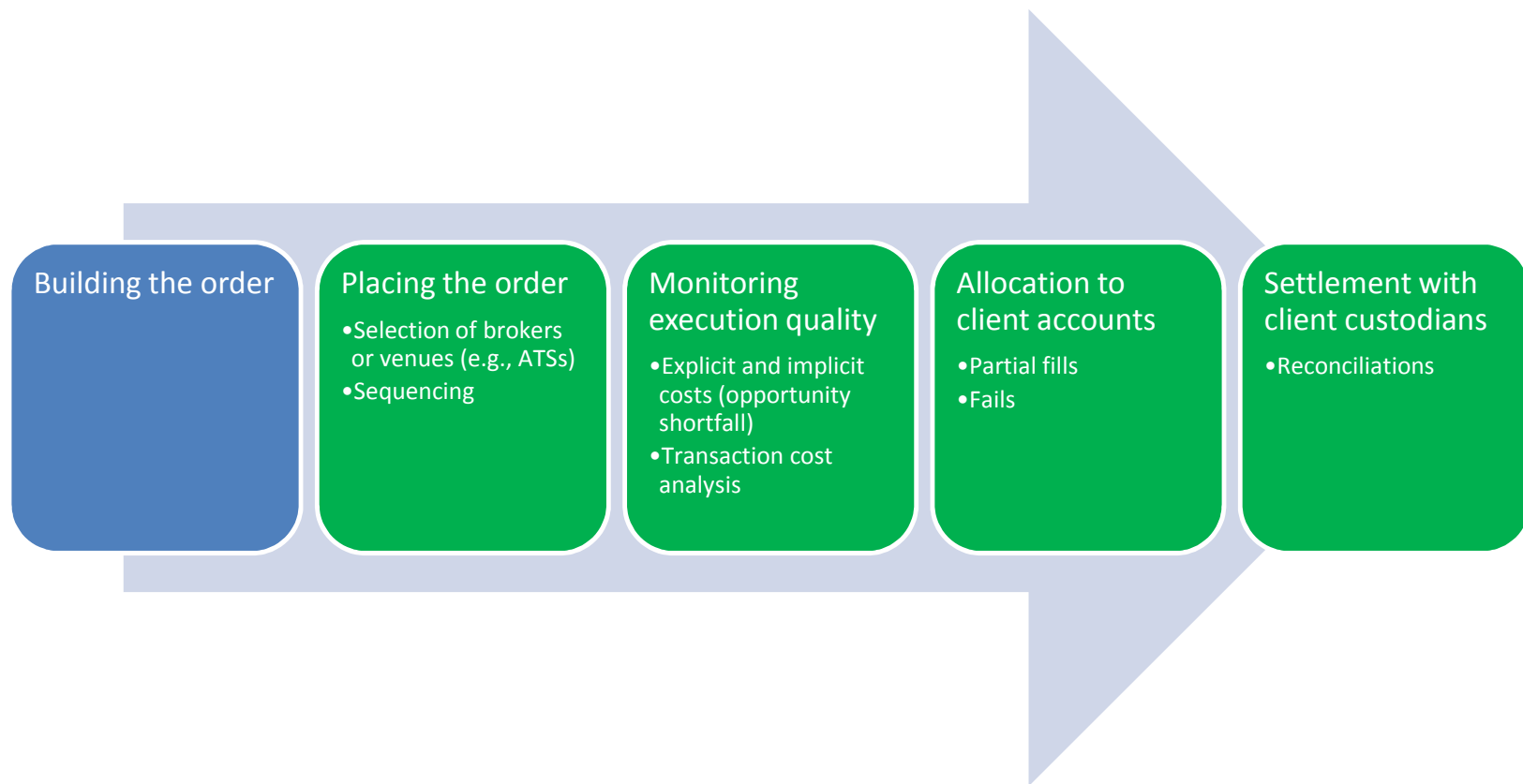
Trade Life Cycle



Building the Order



Trade Life Cycle



Post-trade Processes



Trading surveillance

- Insider trading
- Manipulation & window dressing
- Cross trades & use of affiliated brokers (and capacity)

Monitoring best execution

- Monitoring broker performance

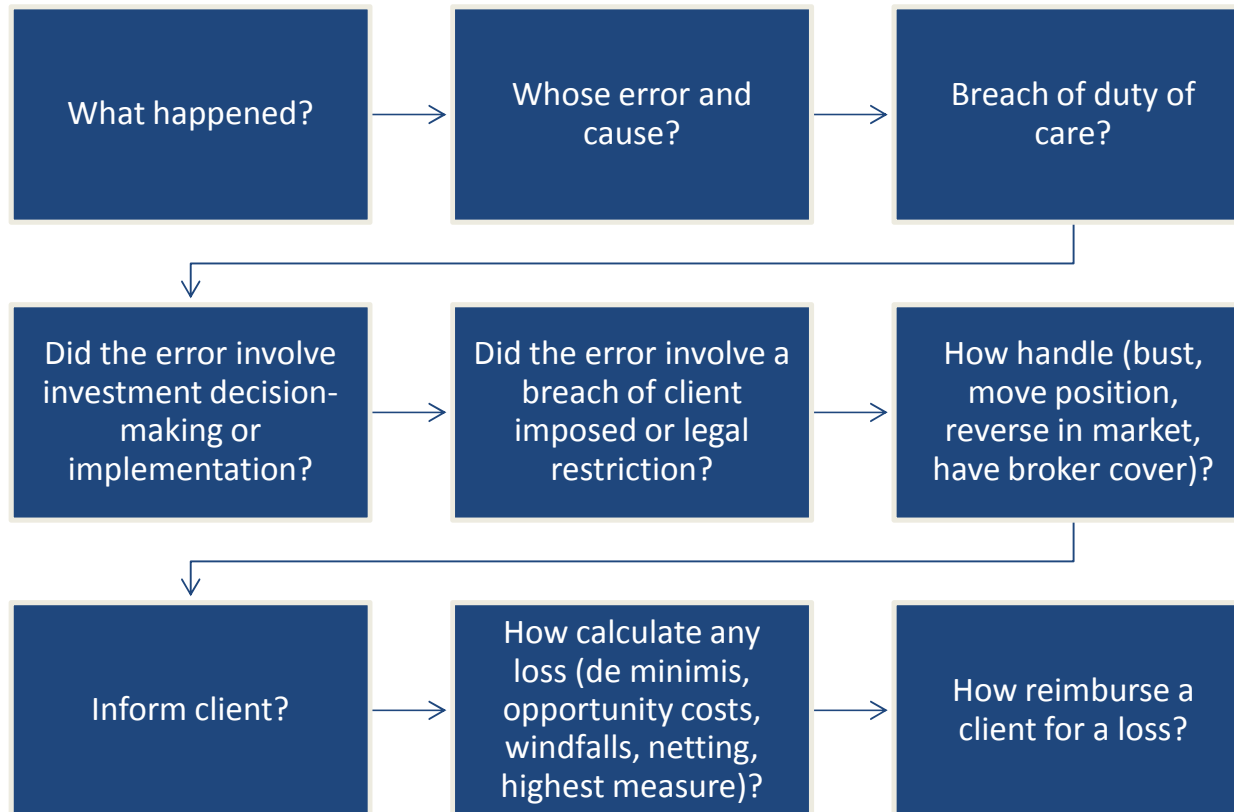


Monitoring soft dollar arrangements

- Commission levels
- Mixed use allocations



Trade Errors





Heat Map of Trader's Concerns

Hot

- Too much SEC focus on equity trades, need more scrutiny fixed income trading
- HFT being considered as non-impactful to markets
- Filing miscues
- Effects of gaming
- Challenging process to upgrade/change best of breed OMS/EMSs
- Efficient Use of Pre-, Post-, and Real-Time TCA
- Finding liquidity
- Counter party risk

Hotter

- Finding meaningful, account specific TCA "apples to apples"
- Information leakage via execution venues
- Short swing profits
- Best execution
- Drastic increase in non-trading responsibilities
- HFT
- CSAs/ways to reduce executing brokers
- Integrating New Trading Tools/Strategies on the Desk
- Algorithm/high-touch variation of trades
- Measuring performance
- What is the right TCA measure for the group

Hottest

- Affording technology needed to compete
- Sourcing natural liquidity
- Insider trading
- Hidden liquidity aggregation
- Monitoring our brokers execution logistics
- Fragmented markets
- Need for more flexible Multi-benchmark TCA
- Managing/Understanding Routing/ Order-Handling Procedures
- Identifying which systems to add/keep on desk
- Budget/Paying soft dollars and research
- Resource consumption by our PMs and Analysts

Source: TraderForum, Top issues facing buy-side traders (February 12, 2010)



SEC Enforcement Actions

- Best Execution
- Market Manipulation
- Principal Trading
- Soft Dollar Payments
- Trade Allocation
- Cross Trading

IAA INVESTMENT ADVISER
ASSOCIATION



IAA INVESTMENT ADVISER
compliance
CONFERENCE/2015

March 5-6, 2015 • Arlington, VA



Effective Strategies
AND BEST PRACTICES

SPONSORED BY



SUPPORTED BY

ADVENT

