

**FOR IMMEDIATE RELEASE**

**FOA SAYS BEST EXECUTION FLEXIBILITY IS CRITICAL FOR DEALER MARKETS.**

**London – Tuesday 5 September 2006:** The Futures and Options Association (FOA) urges the FSA to copy-out MiFID's "principles-based" approach to best execution and allow firms the discretion to determine the process and the factors relevant to measuring the quality of execution in dealer markets. It also challenges the primacy given by FSA to price "benchmarking" as a preferred methodology when there are more appropriate means of measuring price in certain markets.

The FOA's position is the result of consultation with its members and is supported by a study commissioned by it from KPMG for the purpose of responding to the FSA's Discussion Paper (DP06/3) on the subject. In its report, KPMG observes that, firstly, price is only one of the several key factors that need to be taken into account when determining the quality of execution and that, while benchmarking can be used to measure price in the more centralised and standardised (particularly equity) markets, it supports the industry view that other methodologies are likely to be more appropriate for the quote-driven and structured products markets (eg. complex OTC derivatives).

Anthony Belchambers, Chief Executive of the FOA and Chairman of MiFID Connect, said "The KPMG report demonstrates clearly that, while price benchmarking has a part to play in some markets, there is no single approach to Best Execution that suits all markets; and, in line with MiFID's principles-based approach, what is 'best' should be judged by a firm in the context of the client's objectives and the type and state of the market at the time of the transaction. I do not doubt FSA's commitment to "intelligent copy-out" of MiFID, but if UK regulated firms are to meet the current very tight timetabling for implementing MiFID on time, it is essential that the FSA adopts a very focussed and disciplined approach to transposition and allows the firms to concentrate their resources on implementing the essential and necessary requirements of the Directive. The debate about price benchmarking in dealer markets has been an unfortunate distraction to this core objective".

Nigel Harman, head of Corporate and Investment Banking at KPMG, said "We approached the question of Best Execution by considering the points of view of a variety of market participants, including firms on the buy-side and the sell-side. We found a striking consistency of view in our discussions with our clients and other market firms: a workable outcome would allow a combination of approaches to demonstrating best execution, including the use of reliable benchmarks where they are available. We also believe this outcome would be consistent with the objectives of MiFID. We hope the report reflects the strong alignment of views and will contribute to the dialogue between market and regulator".

- ENDS -

Notes for Editors and Contact Information attached.

## **NOTES FOR EDITORS**

### **FOA**

The FOA is a European industry trade association for firms and institutions carrying on business in futures, options and other derivatives or which use such products in their business. Its principal role is to represent the interests of its members in the public and regulatory domain and deliver a wide range of support services to the core membership, which includes banks and financial institutions, brokers, commodity trade houses, energy and power market participants, fund managers, exchanges and clearing houses.

The FOA fulfils its role by:

- constructive liaison with regulators, government and other political and trade bodies at national, European and international levels;
- raising public awareness and understanding of the futures and options industry;
- producing standardised industry documentation, publications and guidelines;
- delivering training courses and workshops.

In Brussels the FOA was a founder member of the European Parliamentary Financial Services Forum (EPFSF) and is an active member of the EPFSF Advisory Committee. In the United Kingdom the FOA has supported the establishment of an Associate Parliamentary Group (APG) on Wholesale Financial Markets & Services, which was formally registered at Westminster in December 2002.

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### **KPMG**

KPMG is the global network of professional services firms who provide audit, tax and advisory services. KPMG LLP operates from 22 offices across the UK with over 9,000 partners and staff. KPMG recorded a UK turnover of £1.28 billion in the year ended September 2005. KPMG LLP, a UK limited liability partnership, is the UK member firm of KPMG International, a Swiss cooperative.

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