

Edhec conducts European transaction cost analysis survey with HSBC

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EDHEC-Risk Advisory will be conducting a pan-European survey with HSBC Global Equities on industry practices with regards to transaction cost analysis.

EDHEC-Risk Advisory is the consultancy arm of the EDHEC Risk and Asset Management Research Centre. The survey is being carried out in conjunction with the Global Equities business unit of HSBC Corporate, Investment Banking and Markets.

Kevin Bourne, Global Head of Execution Trading, HSBC said: 'As we approach the implementation of MiFID, a fund manager's obligation to obtain best execution when executing client orders will become increasingly important. This ground-breaking survey will set the benchmark for transaction cost analysis in this new environment.'

As part of the implementation of the newly introduced MiFID (Markets in Financial Instruments Directive), transaction cost analysis will become a significant part of the obligation by investment firms to execute client orders in their best interest ('Best Execution' obligation).

One of the main elements in demonstrating Best Execution is the analysis of transaction costs, which include explicit costs (fees, stamp duties, etc.) and implicit costs (market impact and opportunity costs). The analysis of these transaction costs on a global basis across multiple exchanges and alternative liquidity pools is likely to become one of the most difficult conceptual and technical challenges, as no consensus on appropriate methodologies exists across the industry.

The study will examine the following questions:

- How do transaction costs affect final investors?
- What are investment firms' requirements with regards to the best execution obligation?
- What methods and tools are currently used to address these requirements?
- What new solutions are being developed by industry participants to analyse transaction costs accurately?

The study will be produced by EDHEC-Risk Advisory on the basis of a pan-European survey that will be addressed in early May to more than 2,500 industry professionals from the largest fund management firms and hedge funds in Europe.

The survey will take place over a period of one month; the final report should be published in September 2006.

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