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# Transaction Cost Analysis, Execution Quality, and Best Execution under MiFID II

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**Abstract :** Transaction cost analysis (TCA) is a way of analyzing the relative performance of different intermediaries and different trading strategies for trades undertaken in financial instruments. It is a way for an investor to determine the overall quality of execution of a particular trade, and there are many different approaches to undertaking TCA. Under the updated Markets in Financial Instruments Directive (2014/65/EU) (MiFID II), investment firms are required when executing orders, to take all sufficient steps to obtain the best possible result for their clients. This requirement for 'Best Execution' must take into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. The new regulatory compliance framework under MiFID II will now also apply across a very broad range of financial instruments. This article will provide a comprehensive technical analysis of how TCA and Best Execution will significantly change under MiFID II. It will also explain why harmonization of post-trade reporting requirements under MiFID II could potentially support the development of peer group analysis, which in turn could provide a new and highly advanced framework for TCA that could more effectively support Best Execution requirements under MiFID II. The study is significant because there are no studies that have dealt with TCA and Best Execution under MiFID II in the literature.

**Keywords :** transaction cost analysis, execution quality, best execution, MiFID II, financial instruments
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