

TRANSPARENCY • EFFICIENCY • NETWORKS
WHAT'S YOUR POSITION?



The Future of Execution, Evolution or Revolution?

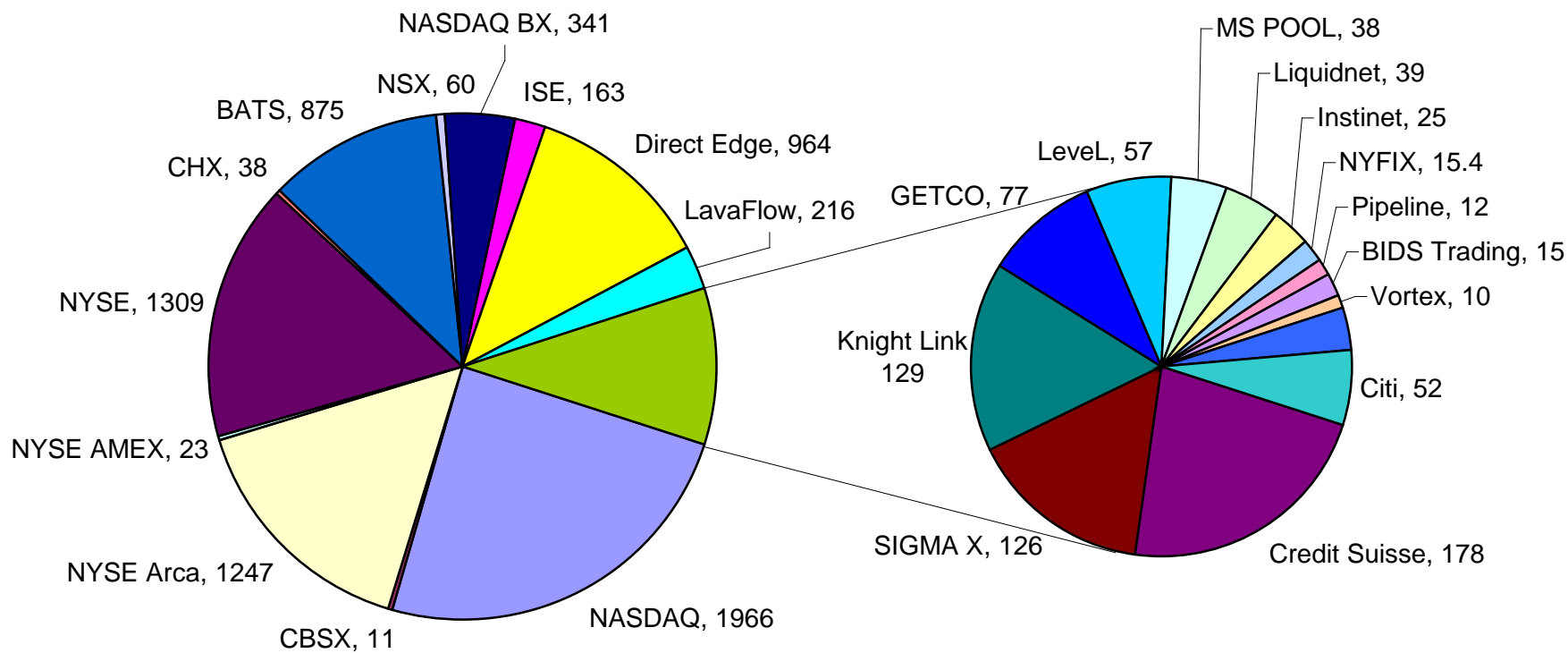
Chris Lees
December 1, 2009





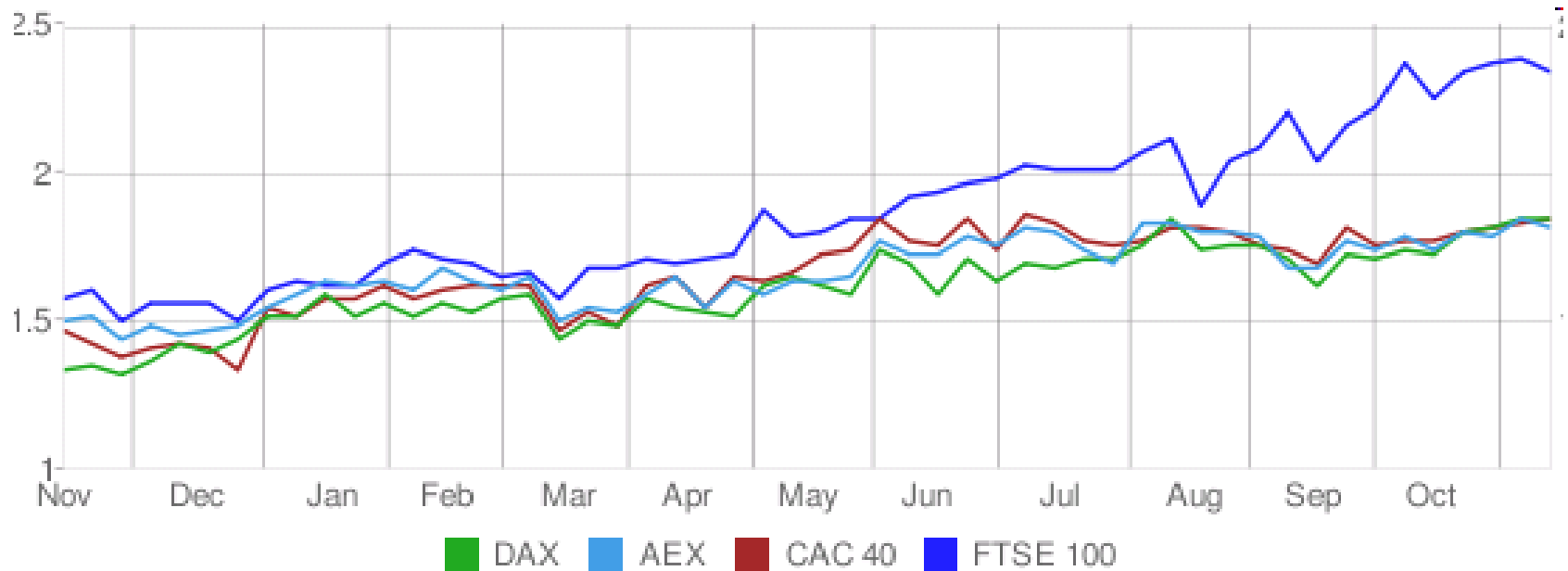
Fragmentation Everywhere

A bigger pie or just more slices?



Source: Tabb Group Liquidity Matrix (October 2009)

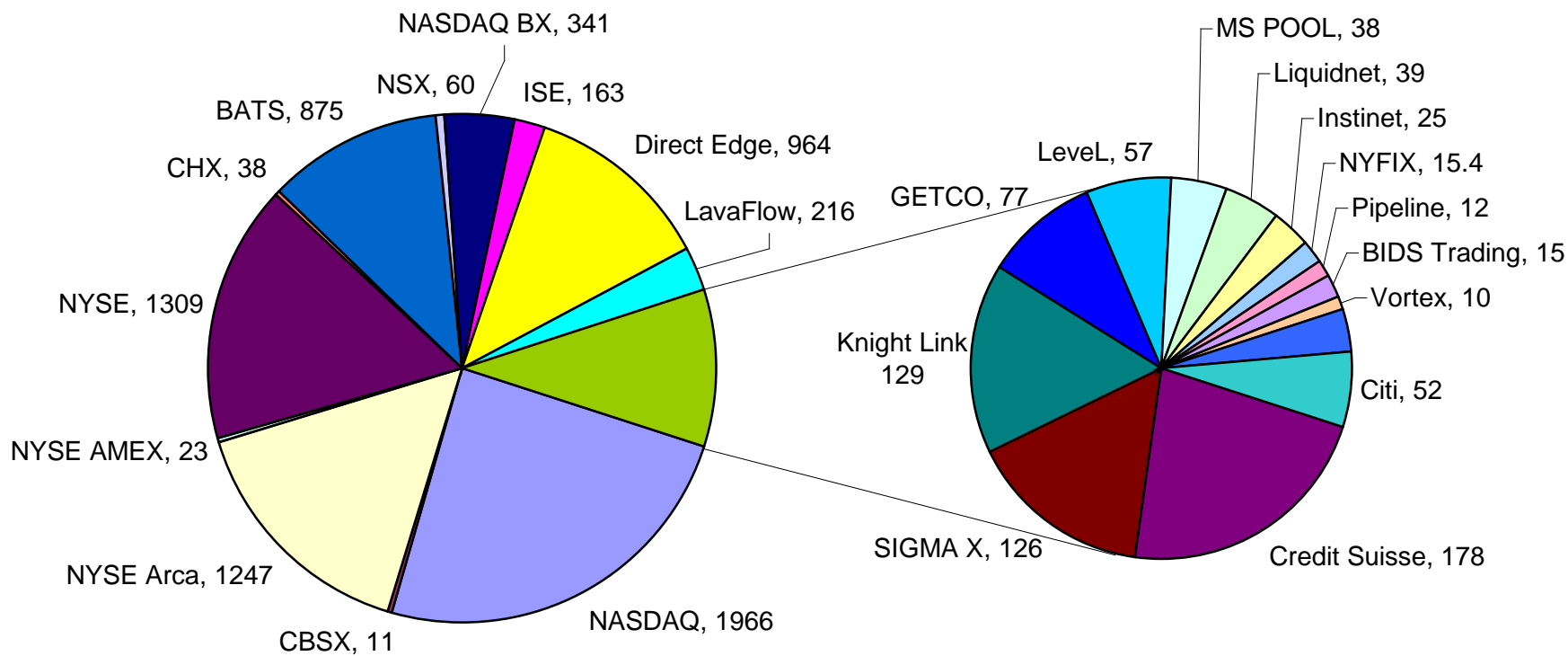
Fragmentation – Europe vs US



Source: fragmentation.fidessa.com

If you take the TABB numbers and run them through the same calculation, the fragmentation index for the US equity market is 7.1.

A bigger pie or just more slices?



Source: Tabb Group Liquidity Matrix (October 2009)



Seeking Optimal Execution

Optimizing agency execution



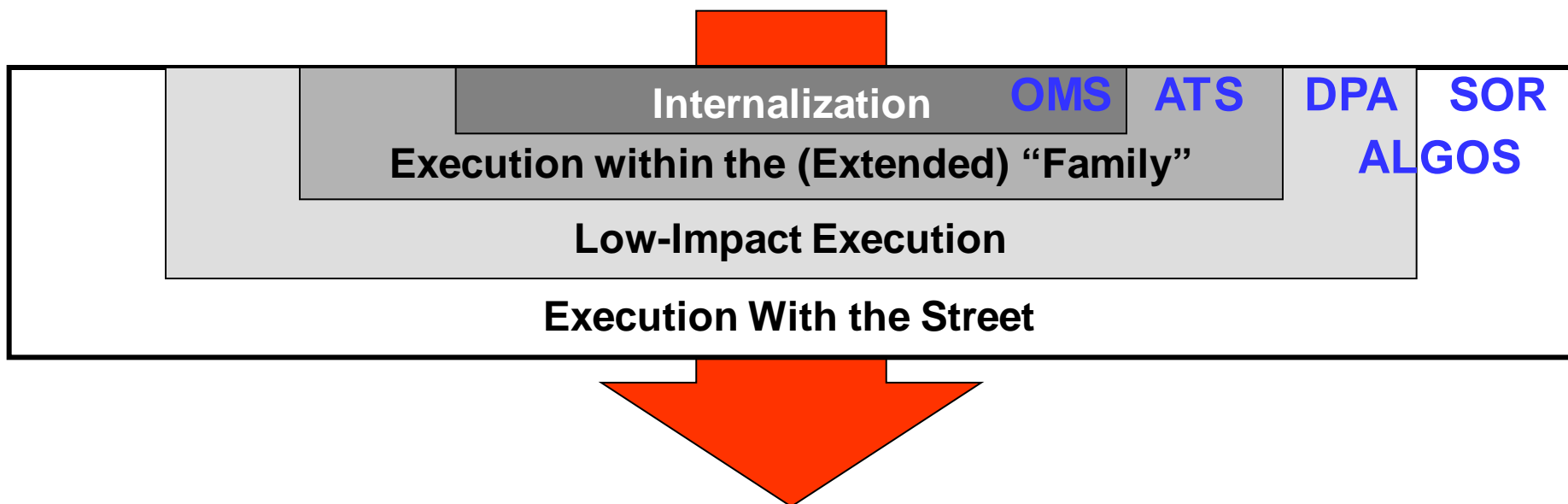
Internalization within the firm/trading desk cuts costs, improves customer fill rate and offers potential for mid-point fills.

Sweep and/or post in low-impact (dark) venues for price and/or size improvement in order to improve performance.

Intelligently navigate displayed markets with four key goals: improve average price, minimize market impact, lower trading costs, and meet/beat benchmarks.

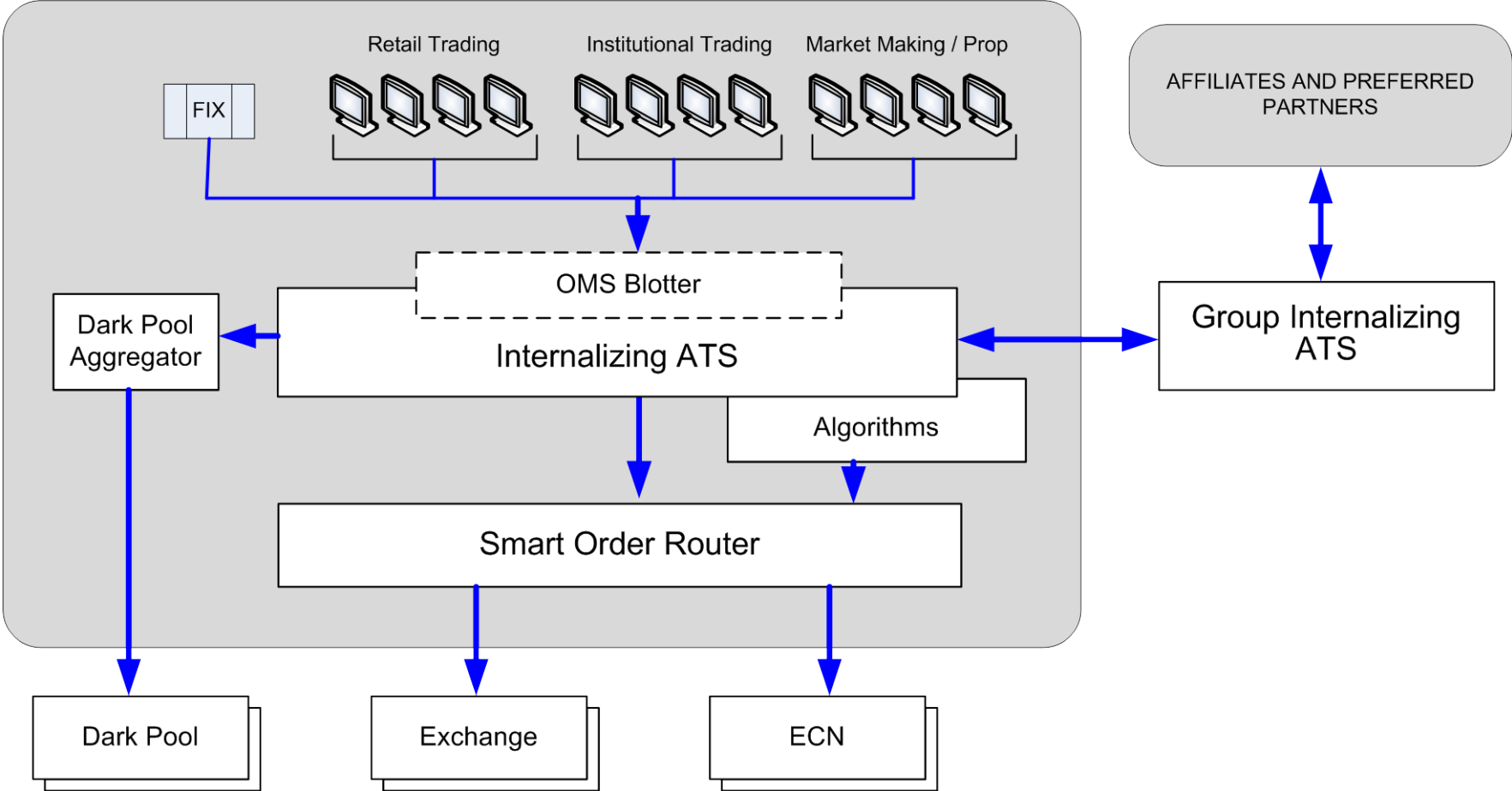
An internal execution capability to trade across trading desks, or affiliated broker dealers. Seek to maximize customer satisfaction (and commission) at the group level, and to capture operational efficiencies while preserving information barriers.

The future agency tool kit?



- The optimal, cascading strategy can be achieved using existing tools working together in a more integrated fashion.
- An outsourced, internalizing ATS viewed as an extension of the OMS blotter.
- DPA, SOR and algorithmic suites become integrated into ATS functions, to help ensure that the full order quantity is always available for execution.
- Continued trend for small- and mid-sized broker dealers to enter into DMA/SPA arrangements, to access higher exchange tier fees/rebates.

Model electronic agency broker





Evaluating Performance

Understanding requirements

“I want to meet and exceed my clients expectations as well as complying with regulations”

“Help me to identify outliers where we can improve”

“I want to run a peer comparison of our best execution performance”

“I want to evaluate my trades against a variety of benchmarks”

“Help me refine our routing strategies to maximize execution whilst minimizing cost”

“Let me analyze the performance of the brokers we route to, and how they are handling our orders”

“I want to visualize our concentration by sector and client to effectively manage our risk”

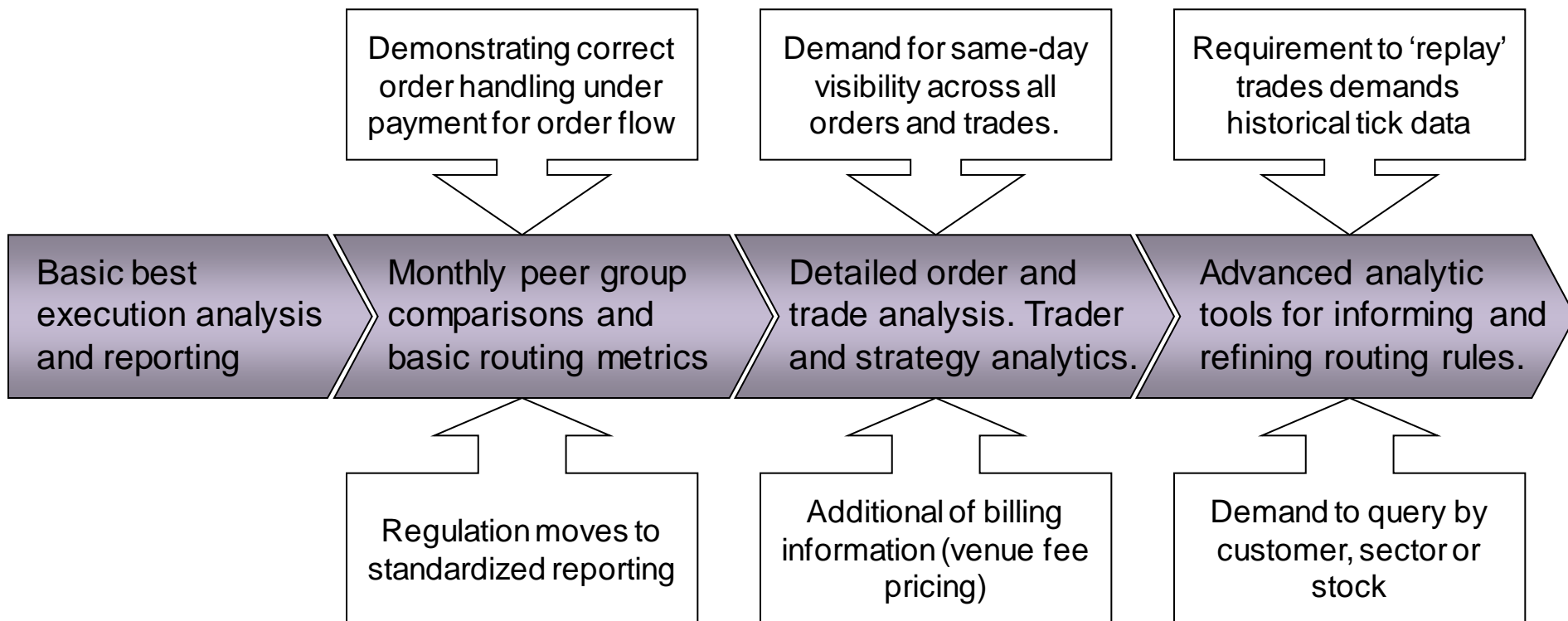
“I want to analyze trader and strategy performance”

“I want powerful tools to revisit trading decisions and identify improvements”

“Help me to understand and quantify the costs of enhancing execution performance”

“I want to analyze customer order flow to optimize resources”

The evolution of analytics?



- Post-trade analytics have already transformed from a regulatory obligation to an internal management tool, and source of peer differentiation.
- Future analytics dashboards incorporating historical tick data and powerful query and charting functions, will become an indispensable execution management tool for Desk Heads for both the buy- and sell-side.

Trader Performance and Cost Analysis

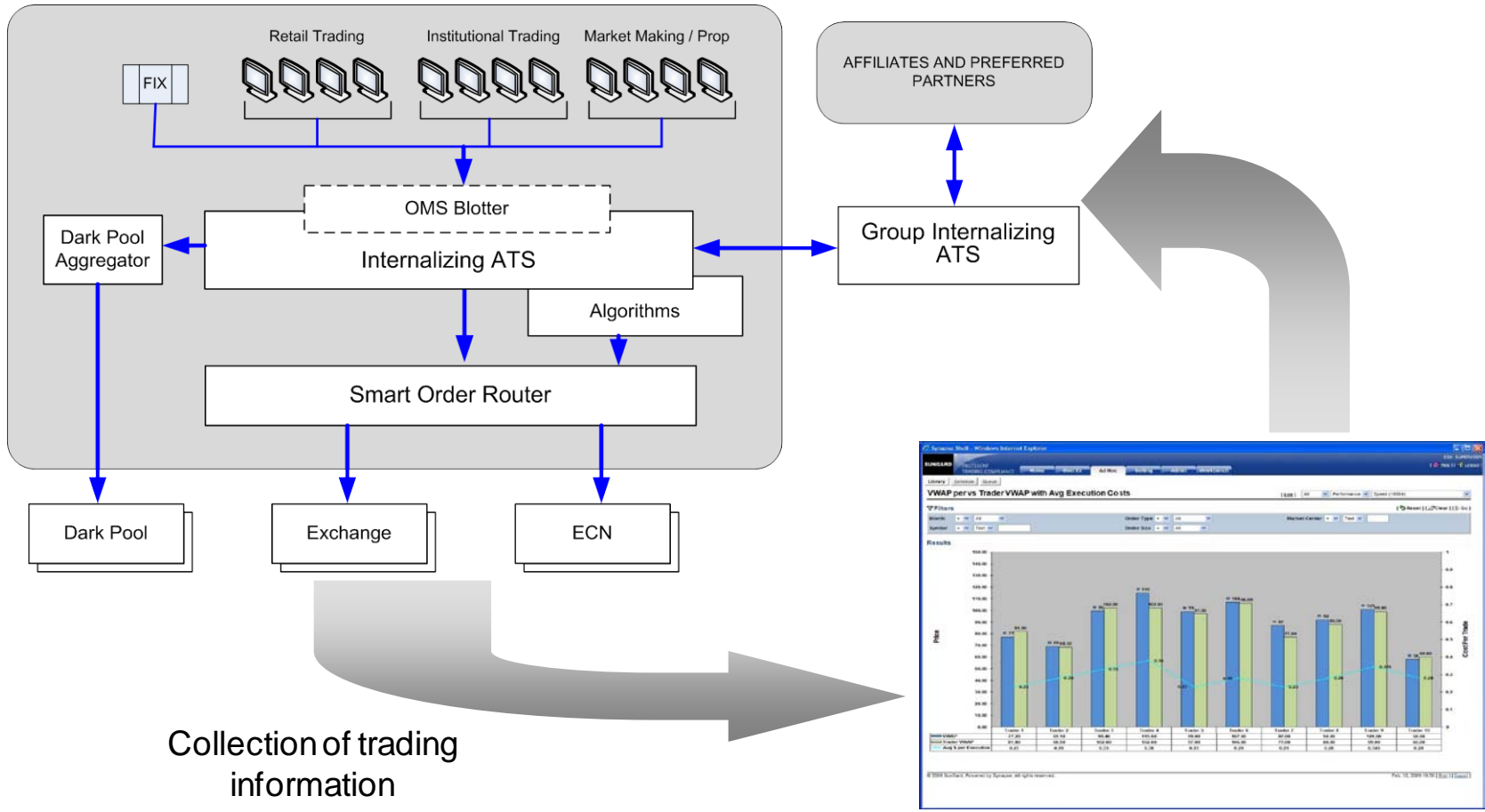


NOTE: Depiction is for illustration purposes only – not a production screenshot.



Putting It Together

The future trading day?



Collection of trading information

Analysis of trading information



Questions?