Trader Insights

Actionable Ideas for the Power to Optimize Your Trades

Tip 10: The Importance of Venue Selection

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Mr Tarabayev: With the proliferation of public exchanges, alternative trading systems and single-broker dealer platforms in the U.S., the equities market is increasingly a complex, fragmented eco-system of competing trading centers. While a large portion of trading occurs on public exchanges, more than a third of volume gets executed off-exchange — in fact, trade reporting facilities now account for around 37% of overall market activity.

Navigating this complex environment is not easy. Once you make the decision to trade, accessing liquidity in the right fashion can depend on appropriate venue selection. This requires a combination of historical venue analysis and dynamic decision-making, which is dependent on urgency of execution, price improvement objective and control for information leakage.

For instance, while our smart order router provide access to a large percentage of non-displayed ATS liquidity, we may fine-tune our interactions and limit our trading to specific tiers of liquidity provided that trading venue provides such functionality. We base those decisions on analysis of some key metrics. These include, but are not limited to, arrival slippage, hit and fill-rates, post-trade short-term price mark-outs broken down by mode of access, and liquidity tier. In addition, post-trade venue analysis gives us guidance on order-type selection when interacting with certain trading centers. If clients have a specific view on venue interaction, such customizations are incorporated in venue selection.

For more tips on optimizing your electronic trading across asset classes, check out the rest of our Trader Insights video series.