Actionable Ideas for the Power to Optimize Your Trades
Accessing a Rising Tide of Non-Displayed Liquidity

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Ms. Bhupathi**:** The fragmented U.S. equity markets can make finding liquidity a real challenge. Off-exchange volume continues to grow as a percentage of market volume, reaching a peak of 40% in January 2018. In addition, block liquidity, especially electronic block flow, is growing, with conditional and firm Alternative Trading System, or ATS blocks, increasing relative to traditional blocks. We used to see about 3 traditional blocks for every conditional; now it is under 2 to 1. These patterns suggest that traders are shifting some of their size from traditional channels and instead executing them electronically. This growth seems to be occurring independent of market conditions.

In an effort to harness this growing source of liquidity, Bank of America Merrill Lynch has added ten additional firm and conditional order venues to its smart order router over the last 18 months.   By leveraging Blockseeker®, our non-displayed aggregation strategy, traders can efficiently tap into this non-displayed liquidity. The strategy uses real-time and historical liquidity signals to determine optimal venue selection. It considers both size and frequency of real time executions venues to determine the likelihood of a firm fill at a specific venue and dynamically reallocates to venues where we have success. As conditional fills become more prevalent, it's important to know the characteristics of the venues to which your trades are allocated. We recently introduced an enhanced methodology which utilizes multiple factors to assess execution quality across conditional venues.   This methodology is used to help optimize our conditional order allocation in an attempt to maximize fill rates.

It's worth noting that Blockseeker can be used in a number of different ways, leveraging three execution modes. Standard mode seeks midpoint or better dark and grey fills. Block mode seeks to maximize larger size executions using conditional order types. While, targeted Mode seeks to maximize liquidity access within the spread by placing both conditional orders and firm non displayed orders across multiple price points

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