

## Trader Insights

# Actionable Ideas for the Power to Trade Smarter

## RFQs Versus Click-to-Trade Streams

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Ms. Kim: Swap traders have embraced electronification. But one recent innovation that many have not yet embraced is often referred to as click-to-trade streaming. This new functionality from execution venues generally allows clients to look at live trade pricing for plain vanilla swaps. Typically, these are firm prices from multiple banks, which can be compared, and provide pre-trade price transparency. However, the request for quote, or RFQ, protocol still accounts for 90% of dealer-to-customer trades in all major Swaps markets, including the U.S.

Why do many market participants still prefer RFQs? One explanation is familiarity; RFQs have been the main execution method for decades. They are heavily integrated into order management systems, making firms reluctant to change. Additionally, the RFQ protocol often provides an easy way to establish best execution, as the winning quote can be stored along with the other responses received.

Perhaps the most compelling reason for their continued popularity is that RFQs often lead to better execution. Rather than being limited to standard products for which prices can be streamed, RFQs allow swap dealers to tailor their responses to individual client needs. This often makes it possible for us to provide improved pricing. And while streams can only be shown for certain instruments, RFQs offer more extensive customization. For example, clients can select the best criteria for their trading strategy, including maturity, coupon or starting date.

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