Future Capabilities of FIX
(Smart Order Routing & Market Structure Trends)

Mifid & the Pan-European Experience

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What have we seen in Europe?

- Proliferation of new exchanges (Chi-X, Turquoise, BATS, etc)…
- ….Plus Dark Pools
- Fragmentation
- Need for Smart Order Routing

What is a Smart Order Router (SOR)?

A Liquidity Aggregating Algorithm…..with varying degrees of sophistication.

1) Basic: Sweep function. Route to best price.
2) Intermediate: Ping/Spray different destinations.
3) Sophisticated: Considers price, speed, displayed liquidity and hidden liquidity to optimize the routing of orders across available liquidity pools.

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Questions you should ask your broker:

1. Do you use SOR technologies?
2. To which venues are you connected?
3. Does it work systematically w/o salestrader intervention?
4. What is your Best Execution Policy? Are you willing to match or improve on the primary market price or best visible price on all venues?
5. How does your SOR take into a/c COST of trading on each venue?
6. How does your SOR manage "residual" orders?
7. Do you check the latency of the different venues?
8. Under what circumstances will orders reside in your internal liquidity pool but not routed to any external liquidity pools?

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The Liquidity Landscape

Venue	Type	Neutrality	Target	Owner
BATS Europe	Lit	Yes	Sell Side	BATS
Burgandy	Lit	Yes	Sell Side	Nordic Brokers
Chi-X	Lit	Yes	Sell Side	Instinet Banks
Turquoise	Lit + Dark	Yes	Sell Side	9 Investment Banks
Equiduct	Lit	Yes	Sell Side	Boerse Berlin
Nasdaq OMX	Lit + Dark	Yes	Sell Side	Nasdaq OMX
Octopus	Lit	Yes	Sell Side	NYSE Euronext
Pex	Lir	Yes	Sell Side	OPUS
Blockmatch	Dark	Yes	Buy Side	Instinet
Euro Millennium	Dark	Yes	Both	NYFIX
Liquidnet	Dark (negotiation)	Yes	Both	Liquidnet
Pipeline	Dark + Lit	Yes	Both	Pipeline
Posit	Dark	No	Buy Side	ITG
Baikal	Dark + Hub	Yes	Buy Side	LSE/Another
Plus Europe	Dark	Yes	Sell Side	Plus Markets
Smartpool	Dark	Yes	Sell Side	NYSE Euronext
Swiss Block	Dark	Yes	Both	SWX
Sigma X	Dark	N	Both	Goldman
Alpha X	Internal Crossing	N	Both	SG
NX?	Dark	N	Both	Nomura
Block Crossing	Dark	N	Both	ICAP
KnightLink	Dark	N	Both	Knight Capital
Crossfinder	Dark	N	Both	CS

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