



## Europe's ever-changing landscape: Moving with the times

*Eugene O'Herlihy*

*macd Swiss Banking Focus 7<sup>th</sup> February 2008*

# Agenda

- Shifting trading landscape
- What is the response to these changes? – a NYFIX example
- What does this mean to you and the Swiss financial community?

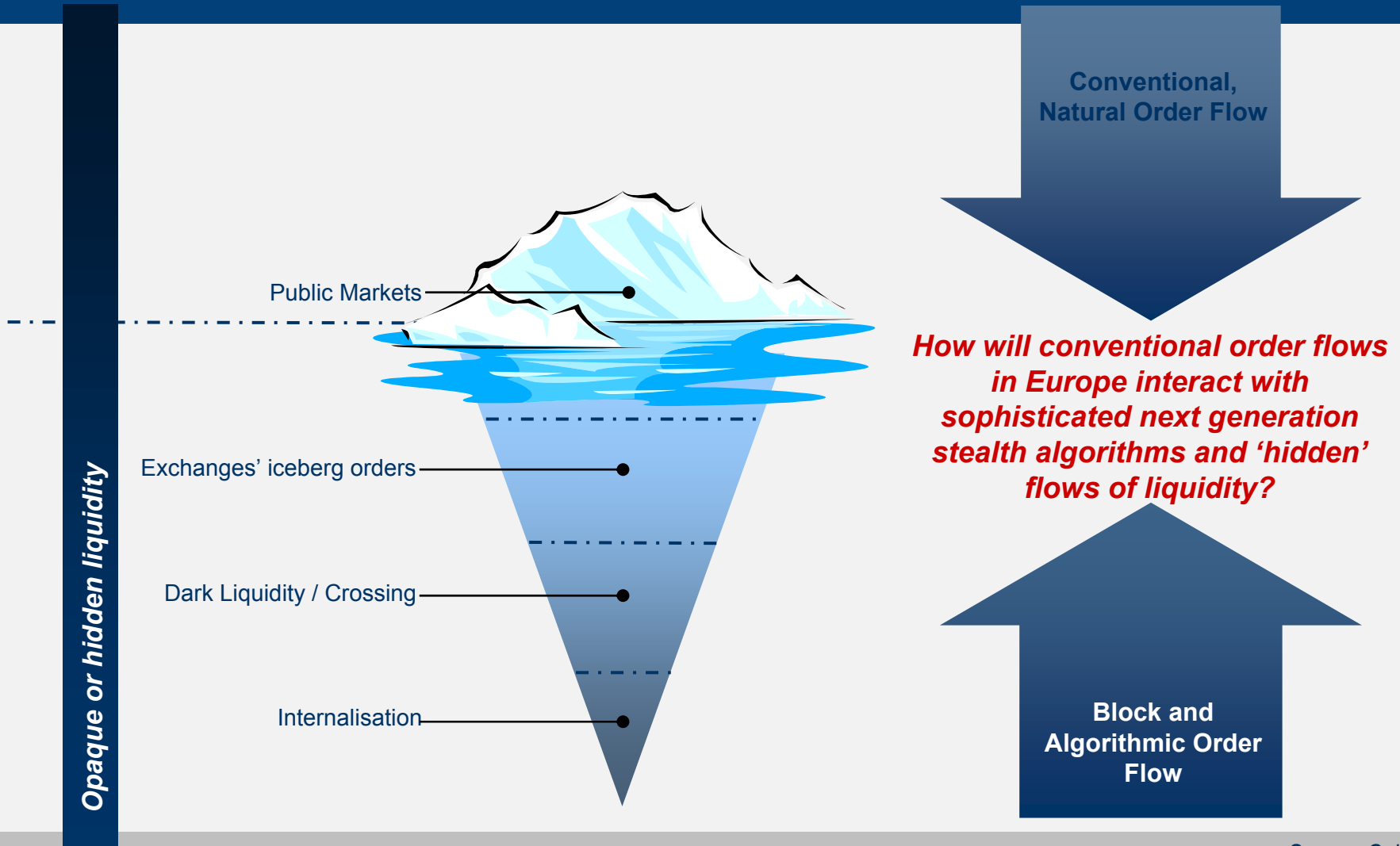
# The shifting landscape.....

- Convergence of simultaneous forces - 'the perfect storm'
  - Liberalisation- EU Financial services
  - Regulatory developments
  - Advancements in technology
  - Standardisation
  - Fragmentation
  - New market entrants

# Competition will increase & liquidity will disperse

- Increased competition from new entrants and incumbents alike
- Proliferation of execution venues & styles, leading to dispersed liquidity & fragmentation
- Greater internalisation of transactions by major sell-side participants
- Downward pressure on tariffs: Gartner predict that by 2009, full automation of trades will reduce the profitability of traditional sell-side operations by 50%

# The way in which business gets executed will change



Source: Celent

# What does recent history tell us.....US Perspective

- Regulatory efforts to increase market transparency
  - Order Handling Rules (1997)
  - Decimalization (2001)
  - Reg NMS (2006)
  - Algo proliferation (2001 – present)

10% of US trades executed within dark pools today  
(Source: *Tabb Report, 2007*)

# Moving with the times

- Growing regulatory, technological, and competitive pressures require participants to achieve maximum returns whilst maintaining their competitive edge.
- What are market participants looking for?
  - Access to liquidity
  - Access to community
  - Technological direction
  - Neutrality
  - Connectivity
  - Innovation

# Moving with the times

- ✓ NYFIX – history of innovation
- ✓ Invented Touch Pad Trading
- ✓ First Commercial FIX Engine
- ✓ First FIX-based Trading Community
- ✓ Marketplace –
  - ✓ over 360 Buy-side
  - ✓ over 400 Brokers
- ✓ First Continuous Dark Pool

# NYFIX Euro Millennium®

A “Dark Pool”, neutral multi lateral trading facility (MTF) launching in Q1 2008 to provide access to non-displayed liquidity:

- Continuous, automated real-time matching
- Open model – Buy-side, Sell-side, Hedge Fund
- Flexibility of order type – Resident & Pass-Through
- No midpoint constraint – within spread
- Price priority – ALL clients treated equally
- Flexible connectivity options – OMS, EMS, FIX
- Give-up to preferred broker

# NYFIX Euro Millennium – Order Types

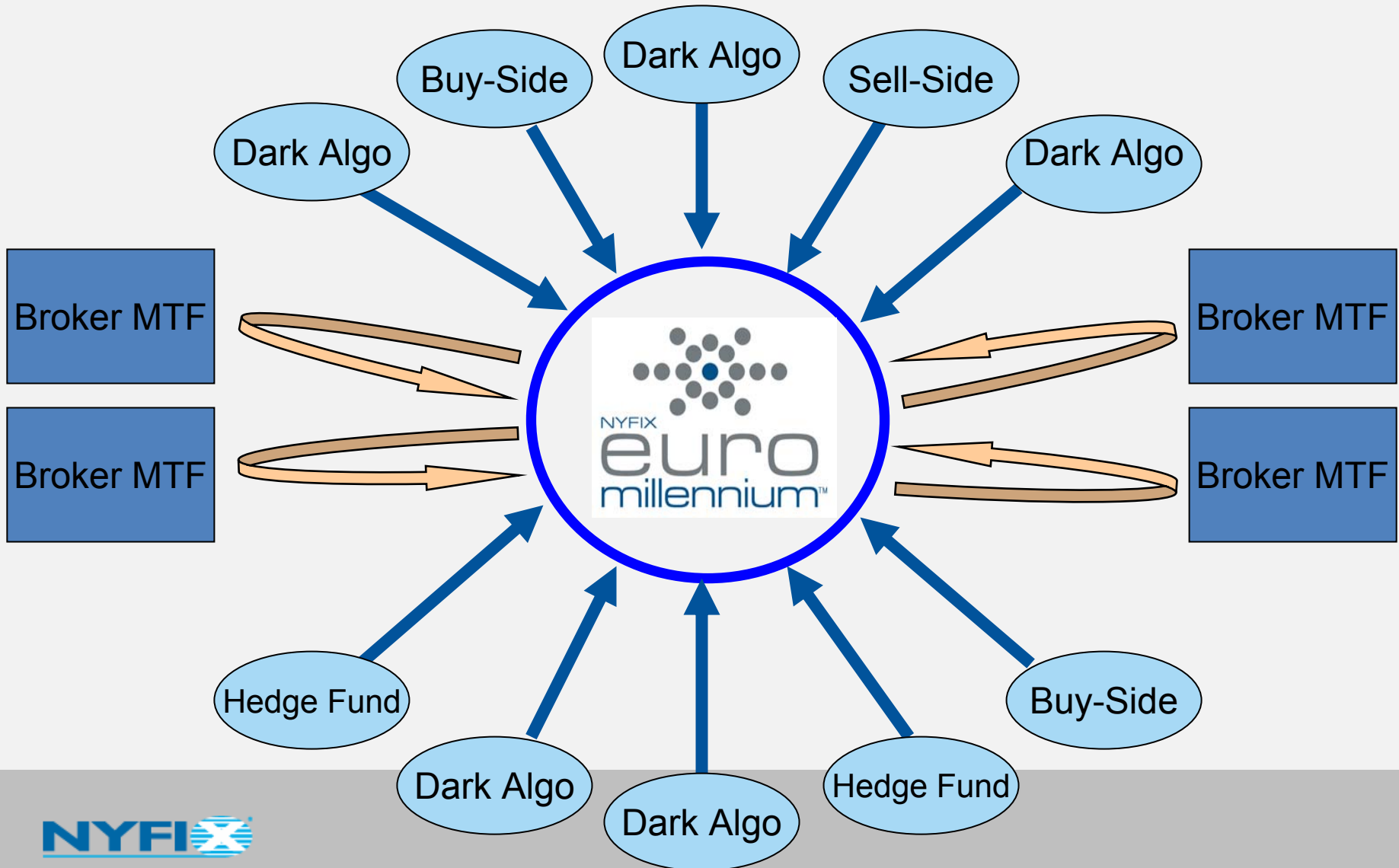
- **Resident Order**

An order that rests in Euro Millennium to interact with pass-through orders and other resident orders

- **Pass-Through Order**

An order that seamlessly checks for liquidity in Euro Millennium before routing to another exchange or market center

# Fragmentation? Consolidation – aggregation of liquidity...



# NYFIX Euro Millennium - Markets

- Scheduled roll-out in 10 markets
  - UK
  - France (EuroNext)
  - Netherlands (EuroNext)
  - Belgium (EuroNext)
  - Portugal (EuroNext)
  - Germany
  - Switzerland (virt-x)
  - Sweden
  - Denmark
  - Finland

# NYFIX Euro Millennium/virt-x block service

The virt-x block service, powered by NYFIX, will be a highly liquid, non-displayed trading service for large blocks of shares by a trusted and neutral provider.

- Continuous, automated real-time matching
- Open model – Buy-side (Through Member Firm), Sell-side
- Flexibility of order type – Resident & Pass-Through
- No midpoint constraint – within spread
- Price priority – ALL clients treated equally
- Flexible connectivity options – OMS, EMS, FIX
- Give-up to preferred broker
- Minimum order size of CHF 1M

# Time to change?

“You need to be the change you wish to see in the world...”

*Gandhi*