

Electronic **Trading** presents**Smart Order Routing: The Route to Liquidity Access & Best Execution**

Smart Order Routing in a Golden Age

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Smart order routing technology is in a golden age. The inception of MiFID has put smart order routing in the spotlight, as buy-side firms, sell-side firms and liquidity venues turn to sophisticated technology to support their respective businesses.

Those with the right technology will gain the greatest reward. So, in the current climate, what are the challenges to SOR and how can we overcome them?

Neonet's second-generation SOR allows users to configure for aggressive and passive routing strategies on Europe's traditional and alternative markets

Firstly, the transfer of liquidity from the traditional exchanges to the alternative venues has been noticeably affected by the shortage of liquidity. Protection of the traditional trading venues may still linger among financial institutions, but the turbulent market conditions have limited the transfer of liquidity between venues. However, as liquidity returns to the market and the different trading venues compete with each other by offering significant price and functional advantages, the sophistication of

your SOR is paramount.

Neonet's second-generation SOR allows users to configure for aggressive (removing liquidity) and passive (posting liquidity) routing strategies on Europe's traditional and alternative markets. The entire lifecycle of the order is controlled to ensure possible execution opportunities in fast-moving markets, and orders are automatically moved to the destination(s) where they are most likely to be executed according to the clients' specific parameters. Clients may post liquidity on preferred marketplaces, avoid splitting orders and take several other measures to benefit from differences in cost structures between markets. The configuration ensures that trading will comply fully with the clients' own policies for Best Execution.

A prerequisite for any SOR is access to low-latency consolidated market data from all the execution venues. If the end-user is sitting with a front-end display application, the presentation of market data becomes important. In order for the end-user to fully benefit from the competition between the liquidity venues that has led to fragmentation, we have developed a Consolidated European Order Book presenting the market data in the same

way as trading on a single market. Our Consolidated European Order Book blends the liquidity of the traditional exchanges with Europe's new alternative markets. Bringing relevant high-speed market data into a single display creates a transparent view of European trading.

The term 'smart' has never been so appropriate. The 'smarter' your technology, the easier the journey, the clearer the map and the better the outcome

When sending orders, Neonet's smart order routing technology directs the orders to the best venues for execution, whether they are alternative marketplaces, traditional exchanges or combinations of both. Furthermore, our SOR can use the client's memberships or Neonet's memberships, or combinations of both, enabling greater choice for how you wish to trade. SOR is the tool that each person needs to be able to independently trade on any venue.

The final challenge that remains for any trading activity is clearing and settlement. Although there are calls from industry regulators and participants

for a central clearing house, progress is slow. Total agreement between all the different industry bodies across Europe is required to create a central clearing facility. Until that emerges, what's required is continued good relations between parties and agencies across Europe. Neonet's offering includes clearing and settlement services, making the full trade process efficient and complete.

Smart order routing is vital in today's trading environment. The fragmentation of liquidity has reshaped the financial landscape, creating new paths and obstacles for orders to follow and overcome. The term 'smart' has never been so appropriate. The 'smarter' your technology, the easier the journey, the clearer the map, and the better the outcome.

Neonet gives access to more than 35

different marketplaces; both traditional and alternative. We encourage choice and independence in our broker-neutral offering. This year will see greater technological advances and increased competition between all the liquidity venues. But it will be those who invest in the right technology and/or service provider now who will reap the immediate and long-term benefits – and be the ones to stay ahead of the game.