

FIXatdl Reduces Broker Lag-time

RealTick CEO/CIO Stuart Breslow lays out the advantages of FIXatdl for brokers and traders.



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The last decade has seen seismic changes in the global equity markets. Reg ATS, Reg NMS, and MiFID have drastically altered the macro and micro market landscape in the US and Europe, as regulation has focused on creating an environment for better market efficiency, investor protection, and greater competition. A major consequence has been the

emergence of new liquidity venues, such as ECNs, ATS, MTFs, crossing networks and dark pools, which have collectively captured significant market share from the incumbent primary exchanges and helped to drive down the transaction costs of trading. In this process, liquidity has been fragmented, with market access and trade execution becoming a focal point for brokers and investors alike.

The uptake and deployment of algorithms (algos) by broker/dealers for institutional clients has been an integral part of this process, as brokers sought to provide better execution tools for clients. Originally, more simple algos focused on minimizing the market impact of an order and included strategies such as VWAP, TWAP and Implementation Shortfall. As the market structure evolved, algo strategies have become more complex, customized and diverse, seeking liquidity across multiple venues and handling relative value trading of two securities, such as Pairs. Additionally,

algorithmic strategies expanded regionally to European markets and Asian markets, as well as into other asset classes, specifically, Equity Options, Futures and FX.

The industry, brokers, EMS vendors, such as "RealTick", and the buy-side shared a common challenge – how to ensure new execution strategies could get into the traders' hands to help optimize their execution performance and investment strategies. The answer was to fully adopt the new FIX Algorithmic Trading Definition Language (FIXatdl).

In fact, the development of FIXatdl has provided not just better utility, but a competitive differentiator for brokers and vendors alike, as they seek to ensure traders can take advantage of changes in market structure and liquidity with new or tweaked strategies.

Typically, a broker's FIX interface specification for a new algorithm

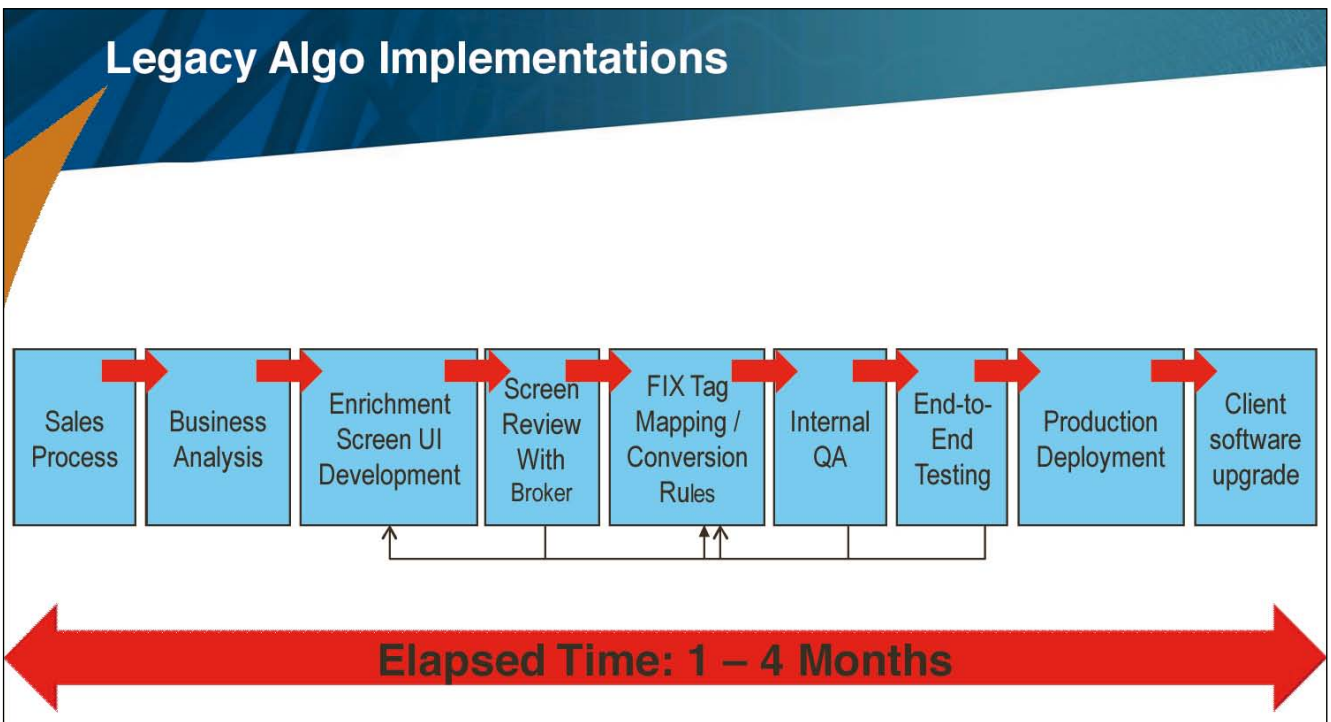


Figure 1

could be 60-80 pages long. The development process to implement and integrate was historically iterative and involved multiple stages (see figure 1). Needless to say, new certifications could take anywhere from one to four months per broker-algo suite, depending on complexity and resource scheduling at the vendor and broker. If a vendor supported a number of brokers' algos, each constantly being evolved with new strategies, regions, and asset classes, it could be a significant resource drain on the vendors to keep pace with the rate of change.

In late 2008, RealTick fully embracing FIXatdl, as part of the electronic trading community and FIX committee, in order to promote better industry efficiency and streamline the process of deploying our broker partners' latest algorithms to clients, in a sprint rather than a marathon. The FIXatdl schema was comprehensively implemented, and we created a suite of broker

self-service tools for brokers to administer their algos. Brokers can quickly and easily upload new strategies via an XML file and then configure and brand their algo order entry screen, using algo management software. After the new algo is reviewed and promoted, the broker's new algo is available the very next time the trader chooses to trade with the broker. No client software upgrade is needed. As a result a number of stages in the development process are eliminated, with new algo certifications deployed in days instead of months (see figure 2).

FIXatdl provides vendors and brokers with the ability to rapidly update or customize an existing algo to suit a particular trading strategy, or capture opportunities due to a micro structure or liquidity change in the market. For the buy-side, who are constantly looking for better execution tools across increasingly diverse and fragmented markets, FIXatdl

provides competitive advantages to quickly capture or enhance trading strategies. RealTick's default position is to have algo files developed in FIXatdl, as the real power of FIXatdl is demonstrated in the business benefits it provides to the broker and their trading clients.

In our experience, the adoption of FIXatdl has provided significant opportunities for brokers, vendors, and buy-side clients alike - a 'win-win-win' for those that have fully adopted it. At RealTick, FIXatdl has enabled us to streamline the algorithmic development and deployment process, reduce resource allocation for these projects and importantly, along with our broker partners, to more efficiently service and support our trading clients.

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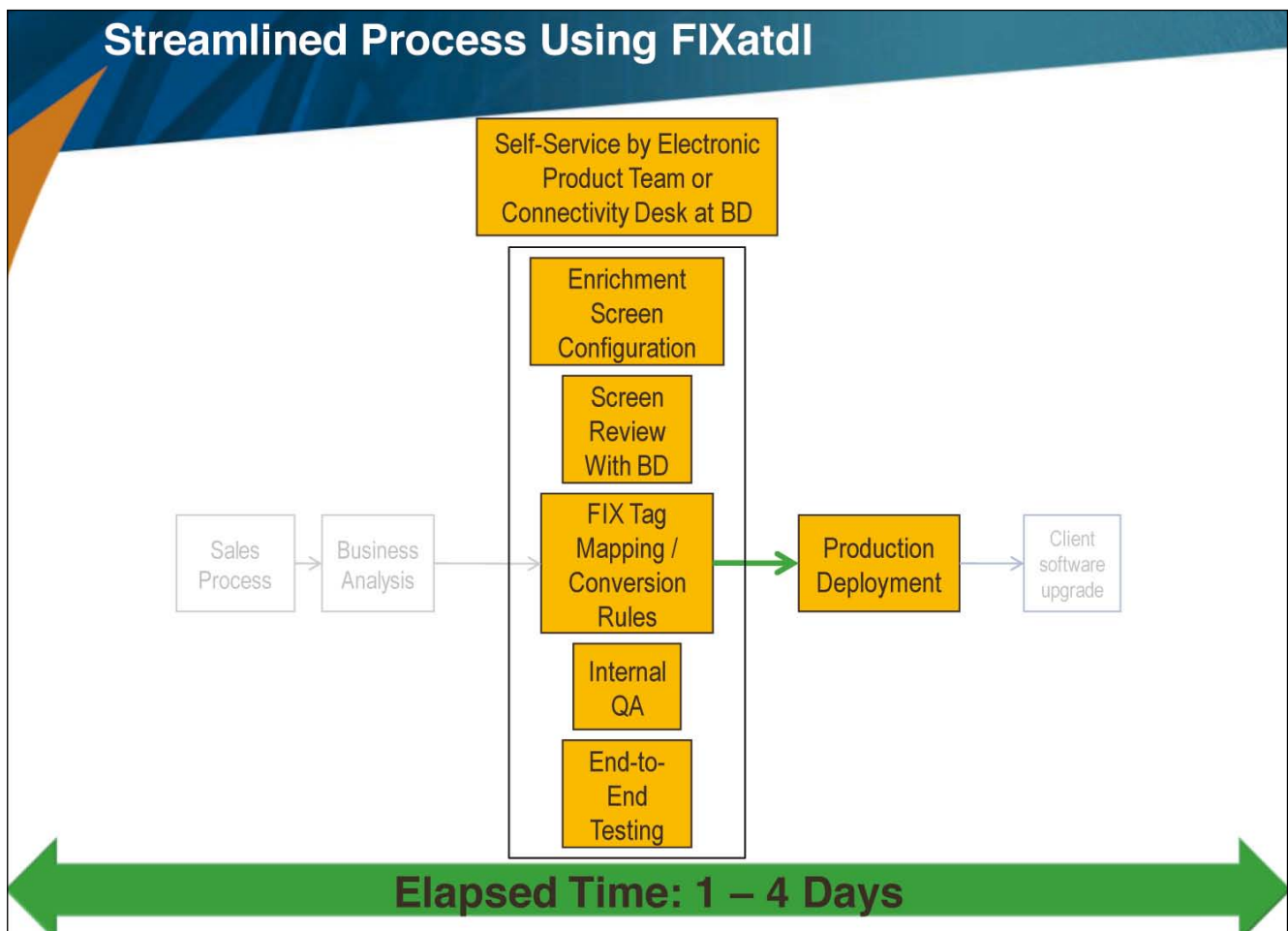


Figure 2