Takeaways from the 2018 Equities Leaders Summit

By Chris Monnery, Global Head of Low Touch Order Management Business Development at ION Markets

Let's face it, NY in December is cold. Miami isn't. The thought of leaving the winter coat in the closet and heading to Miami for a couple of days is unlikely to cause many to protest, but if you're one of the people who isn't already convinced, last week also had the draw of the WBR Equities Leaders Summit, which proved to be one of the better events of the year.

Having buy side, sell side, and vendors all on the same stage always leads to thought-provoking content, but there were a few key themes that really resonated with me. While there weren't any new, earth-shattering ideas, there does finally seem to be some consensus:

Buy side automation has arrived, and it's not about headcount reduction.

- The true goal is freeing up buy side traders to focus on where they can add value, moving them up the value chain and decision-making process.
- This is no longer an aspirational, optimistic, or forward-looking statement. It's happening today, and at scale for those adopters.
- The discipline is built on data and continuous feedback into how the automation model should execute based on real results.
- For buy side firms, the resounding message is this: automation is about demonstrating excellence in execution and, by extension, a cost reduction to investors.
- The bar in Electronic Trading has been raised, and there's nowhere to hide.
- Simple, white-labeled service is no longer an acceptable offering. The buy side's needs have outgrown the limits of this form of Algo service.
- Brokers who have the technology necessary to deliver on their clients' demands will have a huge competitive advantage.
- Panelists generally agreed that all brokers' offerings have become commoditized, and each is looking to exploit their differentiators, whether through workflow and order handling capabilities or unique forms of liquidity.
- Whichever path is taken, there is a shifting of the high-touch level of service into a low-touch channel. One broker even talked about the migration of high-touch traders to electronic to deliver the execution consultancy expertise now required in their low-touch business.

Conditionals have solidified their position of importance in the US markets.

- To paraphrase one senior buy-sider, conditional liquidity is the most important development in the market, delivering the ability to remove exposure to market volatility.
- The approach to interacting with conditional venues requires careful consideration by all participants. They aren't just another form of Dark Pool. Done thoughtfully, fragmentation of liquidity is not an issue, but someone not interacting properly will have issues – although the market will weed them out through their scoring processes.
- It's not only the automated conditional liquidity that's important, but more clients are opting to let their high-touch coverage see their electronic orders for potential larger-sized natural liquidity.

And an Equities conference wouldn't be an Equities conference without discussion of MiFID II. The belief is that research unbundling will be here globally by 2020. And while one of the panels did try to address the elephant in the room related to who pays for trading platforms, it's clear that trading platform unbundling is still at the head-scratching stage. Whichever point you look at, the question that remains unanswered is where will the money to pay for these services come from in a post-MiFID II unbundled world?

Back in NYC, coat on, and already looking forward to getting next year's agenda.

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- markets@iongroup.com
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