

## NYBX success supports hybrid model

Published on The Trade News (<http://www.thetradenews.com>) Fri, 2009-08-14 14:27

Encouraging growth rates across the first two quarters of live trading by dark trading venue New York Block Exchange (NYBX) have underlined the strength of the hybrid lit/dark liquidity model and bode well for similar initiatives in Europe, according to Tim Mahoney, CEO, BIDS Trading.

NYBX is a joint venture between alternative trading system BIDS Trading and exchange group NYSE Euronext. Primarily a buy-side block trading venue, NYBX taps into NYSE displayed and reserve liquidity and BIDS ATS liquidity to fill orders.

Since its launch in January this year, NYBX has reported an average buy-side order fill rate of 48% – compared to the average 7-9% common in most US dark pools – and an average buy-side order size of 38,197 shares, putting it third behind rival venues Pipeline and Liquidnet, both which have an average order size of around 45,000 shares, according to Let There Be Light, a monthly US dark liquidity tracker by brokerage Rosenblatt Securities. Buy-side firms are able to connect to NYBX via sponsored broker access.

NYBX claims institutional investors have access to daily inflows of 58 billion shares from NYSE while maintaining their anonymity.

“The NYBX aggregates liquidity from different sources, so a buy-side trader is likely to get multiple partial fills to complete a block order,” Tim Mahoney, CEO, BIDS Trading, told theTRADEnews.com. “We think we have changed the approach to the marketplace with the hybrid model and the buy-side is really using it in the way we anticipated.”

Mahoney goes on to suggest that the early success of NYBX should be encouraging for European models that aggregate lit and dark liquidity sources. Multilateral trading facility (MTF) Turquoise has recently announced six liquidity partners for its dark pool service, while rival MTF Chi-X recently launched Chi-Vision, a closed routing service that combines liquidity from Chi-X’s displayed order book and its Chi-Delta dark pool with the internal liquidity from agency broker Knight Capital and proprietary trading firm Citadel Securities. Baikal, a London Stock Exchange-backed dark pool and liquidity aggregation service, has also launched its routing service and is slated for a full launch later this year following completion of testing in September.

Rival block trading venue Liquidnet has similar functionality with its Supernatural order type in the US, which it also plans to launch in Europe in due course. Supernatural interacts with liquidity from external exchanges and electronic communications networks as well as liquidity from its streaming liquidity partners (SLPs) for smaller retail orders. Liquidnet’s SLP list includes include brokers, such as Barclays Capital and Instinet, and trading venues such as BATS, Direct Edge and NYSE Arca.

“If you can forge unique relationships with displayed marketplaces and other liquidity sources that have order types to aggregate liquidity, you are likely to receive good fill rates,” said Mahoney. “The buy-side now has a range of execution tools available to them and are using dark pools like NYBX for trading large blocks of stock.”