

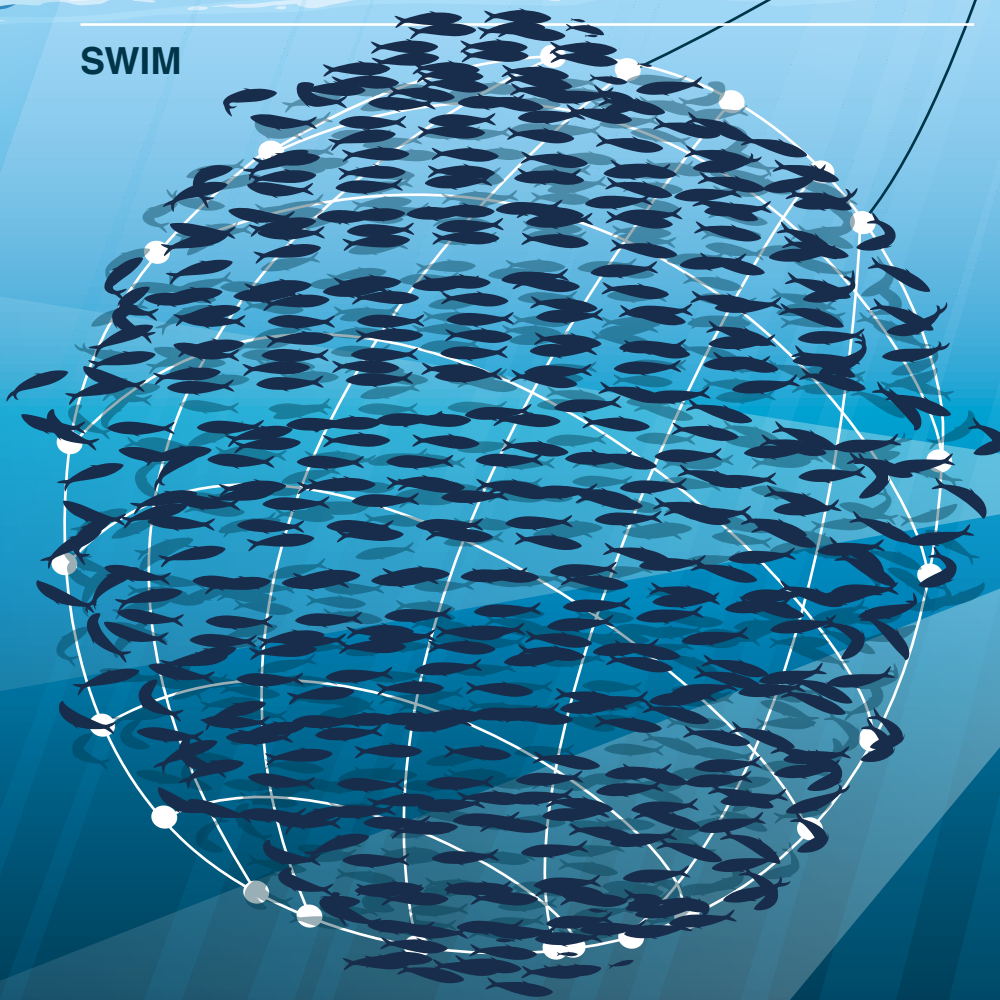
Casting the Net Wider for Retail Execution

Wealth and retail execution charts new waters

The opportunity to improve execution quality is all around us. SELECT removes the complexity, bringing execution choice and new liquidity opportunities to private client wealth managers helping them comply in the new multi-venue world.



SWIM



SURF

Multi venue, immediate all-or-nothing retail execution strategy

SELECT

Suite of algorithmic trading strategies with access to all liquidity pools

“Firms could often improve execution outcomes if they carried out a thorough assessment of liquidity rather than solely relying on RSPs”

FCA Investment Platforms Market Study
MS17/1.2 July 2018

↑
Institutional orders
(via FIX)

↑
RSP (Retail RFQ)
orders

Stifel SWIM introduces an innovative, unique mechanism to search and interact with retail electronic orders by tapping seamlessly into its fast growing network of Wealth, Investment Management and Retail Brokerage partners.

For more information please visit:
www.stifel.com/institutional/StifelEurope

STIFEL
Europe

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MiFID II's repercussions have been felt far and wide, and in the equity execution space the new regulations have rapidly driven large-scale changes in methods of trading. One might have anticipated the main impact to be on the most liquid instruments, but even the small-and mid-cap names, often immune to market structure change and whims of the latest trading widget, are seeing a quiet revolution too. This is significant for retail wealth managers and brokers because their clients often dominate the shareholder registers in this sector and generally use a single route-to-market.

It's all about accessing the new trading venue space, and in the right way.

Navigating the new liquidity landscape

MiFID II's more prescriptive rules on Best Execution have, like many other aspects of this mammoth regulation, prompted widespread change. RTS 28 picks up where the original MiFID fell short – its more empirically-based requirements mean the regulator can scrutinise execution policies more effectively. And they already are, and they've started at the retail end of the market.

July 2018 saw the FCA publish its first Market Study post-MiFIDII to include observations on execution policy. The paper was a broader review of Retail Investment Platforms, but hidden within it the regulator was emphatic about the inadequacies of certain aspects of trading methods in the retail space. Specifically, the findings cast doubt on the effectiveness of execution policies that rely solely on Retail Service Providers (RSPs) as a means of execution, particularly in challenging market conditions. The FCA were clear that falling back on the status quo is not an option and that market participants must begin to cast their net wider than the existing RSP model alone.

So, for Retail and Wealth Management dealing desks the new world must not only be explored but embraced. The perfect storm of new trading venues, order types and analytics brings challenges, but also increased choices, transparency and new opportunities. In that sense the new regulation delivers – its aim was to protect retail investors and increase competition.

Brokers have been key to helping with the challenges, and various new initiatives have begun to take shape. One such solution is Stifel Europe's "SURF" algo. This connects to multiple venues in over 2000 UK and EU exchange listed equities. All venues accessed accept immediate (IOC or all-or-nothing) orders. Venues include dark pools, multilateral trading facilities (MTFs), periodic auctions such as Turquoise and CBOE and Systematic Internalisers (SIs). Crucially, executions are immediate and settle in one shape, removing the requirement to settle with each venue separately and thus reducing the multi venue connectivity headache.

It also accesses "SWIM", Stifel's own retail liquidity, which itself improves spread capture, and with natural, deep institutional liquidity at its core, addresses many of the concerns about a lack of liquidity during challenging market conditions outlined in the FCA paper. It's a truly innovative way to offer a combination of liquidity options for retail immediate-execution orders and institutional clients to the benefit of all parties.

One overriding principal in the new world has not changed at least – accessing natural, differentiated sources of liquidity, such as SWIM can add significant value to execution strategies within a multi-venue environment.

These solutions are not designed to replace existing execution models. They provide additional choice and liquidity options. They give brokers the ability to use alternative strategies to achieve best execution in all market conditions, across all market caps, and for both small retail trades and larger wealth management trades alike.

However, despite all the innovation and opportunity there is still a leap of faith required by all parties to achieve the objective of multi venue execution for retail trading. The market-wide debate on how retail wealth managers might pay for trade execution is one example. Again, brokers are taking a flexible approach, working with them to ensure solutions are cost effective, transparent and complement the necessary execution policies in place.

Multi-venue access and smart algorithms are the new world order, across the whole spectrum of instruments and client-types. Best Execution rules mandate it, and the reporting obligations ensure we adhere to it. Navigating the new liquidity landscape is here to stay.