



Future Capabilities of FIX (Smart Order Routing & Market Structure Trends)

What is happening in Asia?



Jason Lapping
Societe Generale
Head of Equity Execution Services Asia Pac



Fragmentation vs Market Concentration

Demand from clients for faster, cheaper markets with lower spreads is resulting in 2 contradictory developments:

- **Concentration of Asian Stock Exchange Technology**
 - In Japan Osaka Stock Exchange & Jasdaq merging trading technology
 - ASEAN Link Exchange – Thailand, Indonesia, Malaysia, Philippines and Singapore
- **Off Exchange Liquidity Pools Fragmentation**
 - Asia has 5 main Alternative Liquidity Pool concentrated in Japan
 - Several brokers have implemented regional internal crossing networks (BIX, Cross Finder, Sigma X, MS Pool...)
 - Regulatory issues have slowed the progression but it is generally a matter of “when” rather than “if” Alternative Liquidity Pool become main stream across the region



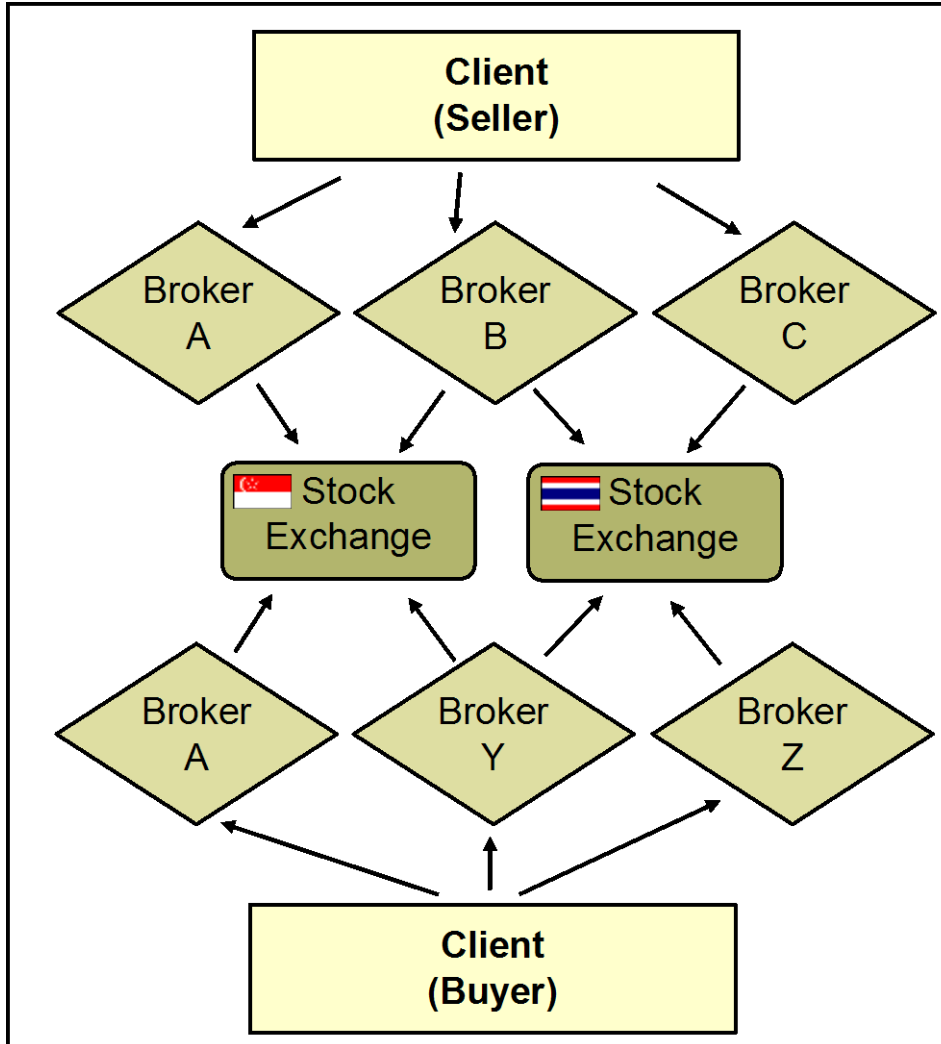
Alternative Liquidity Pools in Asia Pacific Region

Open Liquidity Networks	Owned by	Dark/Lit Pool	Type of Orders Crossed	Markets
CBX	Instinet	Lit	Intra Day Blocks	JP & HK
Japan Cross	Instinet	Dark	Pre Market VWAP	JP
BlockSec	CLSA	Dark	Pre Market VWAP & Intra Day Blocks	JP, HK & SP with AU very Close
kabu.com	Mitsubishi UFJ	Dark	Pre Market VWAP	JP
Supernatural	Liquidnet	Dark	Block Crossing (Buy Side to Buy Side)	JP, AU, KS, HK & SP

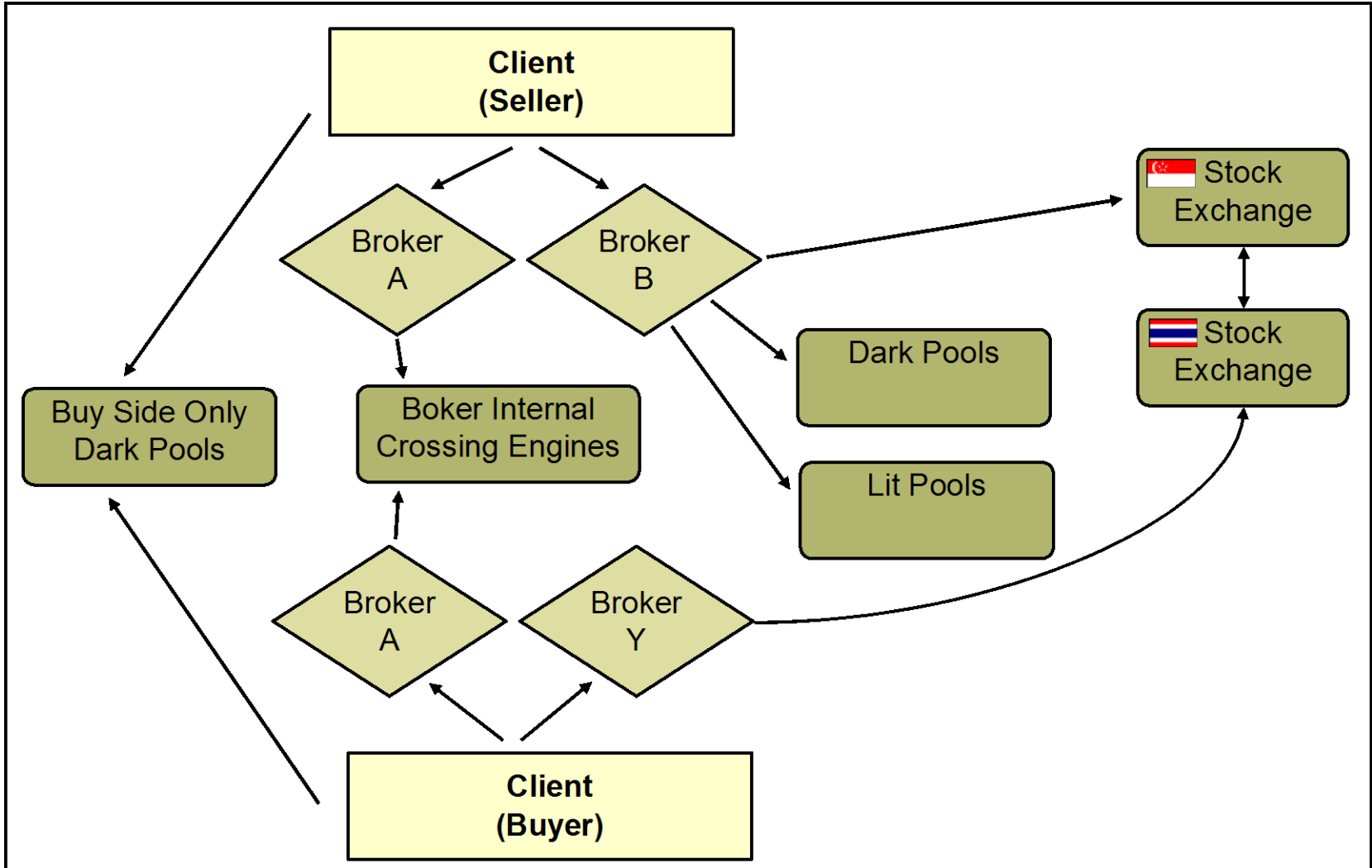
- Historically the dark pools offering VWAP Crossing have seen most volumes but intraday clock crossing is gaining popularity
- The first lit Pool has recently be launched in Hong Kong
- Chi-X & AXE in Australia should be next pending regulatory approval



Old Model of Client Order Flow



New Model of Client Order Flow





Conclusion:

- **Exchange competition / liquidity fragmentation will increasing**, the buy-side should understand the market micro structure and know how their brokers connect to it.
- **Buy Sides are more accountable** for the quality of execution that they receive back from broker than ever before.
- **Brokers need to connect to Alternative Pools of Liquidity** to meet client increased demands for best execution.
- **FIX is the only way to manage the increased number of connections** in a cost efficient way