

Strength in Numbers

Unique new trading venue emerges from MiFIDII Market Structure change

Major regulatory change is influencing the way traders and institutions access the new liquidity landscape post-MiFIDII. One new venue in particular has a fresh approach to finding deep, pure and continuously accessible liquidity.

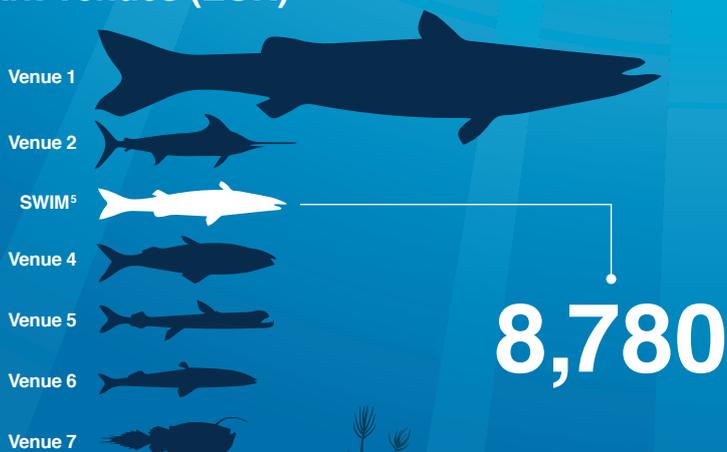
11.8% Average Retail Ownership of FTSE100 instruments¹



13.3 Million

Total number of wealth manager trades on London Stock Exchange²

Average SWIM Trade Size vs Leading Dark Venues (EUR)³



66.3%

Average Spread Capture on SWIM⁴



¹Source: FactSet 2017, ²Source: Compeer 2017, ³Source: Bloomberg H1 2017, ⁴Source: Liquidmetrix 2018, ⁵SWIM average trade size Q1 2018

Stifel's innovative SWIM liquidity pool introduces a 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.

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Shifting deadlines, incomplete data and uncertainty about key aspects of the regulation - one might be forgiven for thinking MiFIDII had fallen at the first hurdle. One thing is for certain though, major market structure change has taken hold, and amongst the plethora of new liquidity pools, one new venue has brought a fresh perspective – a paradigm shift in finding pure, continuously accessible liquidity.

Post-January 2018, tapping into institutional flow through pre-existing liquidity pools, be they lit or dark, has become increasingly complex. As dark venues strive to offer increased execution sizes and better fill rates, ensuring confidentiality isn't compromised is critical to overall performance. Sourcing natural, non-toxic, broad and deep liquidity is paramount to ensure consistent execution quality. The search for venues offering low market impact with significantly improved spread capture is key.

Unlocking Retail liquidity

Retail ownership of large cap equities accounts for over 10% of the market by volume, a figure that increases to nearly 14% for mid-caps. As much as 70% of shares in some FTSE 100 instruments are retail owned. Access to this liquidity has been predominantly passive in the past, facilitated by market-makers, and with limitations in how algorithms might interact with this flow.

Stifel's innovative 'SWIM' liquidity pool introduces a unique mechanism to search and interact with retail electronic orders. By tapping seamlessly into its already established and fast growing network of Wealth, Investment Management and Retail Brokerage partners it provides simple and reliable algorithmic access to what's historically been a relatively opaque marketplace. In doing so, it flies in the face of the legacy limitations and preconceptions of accessing retail liquidity. Order volumes are sizeable across large- and mid-caps alike. Interaction is via standard algorithms giving immediate execution. Average trade sizes at EUR 8,780 rank in the top 3 of established European dark pools, and yet when volume caps are introduced SWIM won't be halted. With first-movers benefiting from price improvement through spread capture in excess of 66%, SWIM clients have already begun to benefit from significantly better execution.

So how have the challenges of accessing this previously untapped retail liquidity been overcome by this newcomer? Stifel's SELECT platform acts as a hub, presenting a network of retail and wealth clients' orders as a dark order book to its SWIM algorithm. Unlike other retail mechanisms it doesn't rely on proprietary execution, with the associated information

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leakage, or hard-to-manage RFQ messages. Executions are immediate, behind an electronic wall of confidentiality, and the post-trade process fully automated.

When it comes to equity execution, particularly for Wealth and Retail clients, Stifel, the US-based broker, knows a thing or two. Award winners in 2017 for their Equity mid-caps, they have built a reputation for high quality full-service investment banking and brokerage. Here in Europe their SELECT electronic execution suite, offering highly performant DMA and Algo tools in its own right, benefits from the significant improvement of accessing SWIM. And enabling external institutional access is as simple as a new FIX connection.

Who would have thought then, that executing with a retail wealth-based liquidity pool would consistently return average bargain sizes that rank amongst the top dark venues? In a marketplace dominated by uncertainty, diminishing trade sizes driving up cost of execution, and increasing challenges in the search for natural, non-toxic liquidity, whichever way you look at it, the metrics speak for themselves – this retail liquidity pool shows real strength in numbers.

About Stifel Europe

Stifel is a full-service wealth management and investment banking firm, established in 1890 and based in St. Louis, Missouri. The Company provides securities brokerage, investment banking, trading, investment advisory, and related financial services through its wholly owned subsidiaries to individual investors, professional money managers, businesses, and municipalities.