



LOW LATENCY...FOR THE FAST MARKETS

"A good software design is more important than Colocation and Hardware acceleration"

## ***DARK POOLS***

### ***What are dark pools?***

The term dark pool is relatively new. The concept of crossing off exchange liquidity has been with us since the beginning of stock trading. Institutions have always crossed large blocks off exchange and sell side firms have facilitated crossing of large blocks.

Dark pools are crossing networks where trading is done off of an exchange to obtain price improvement and not move the price if a large block of stocks is being traded. This is useful for traders who wish to move large numbers of shares without revealing themselves to the open market. Dark pools have traditionally been used by institutional traders, who use them to execute large stock transactions without moving the market against themselves.

Dark pools offer institutional investors many of the efficiencies associated with trading on the exchanges' limit book but without showing their actions to others. Dark pools do not show the price nor is the identity of the trading company displayed.

Some of the newer dark pools are starting to give retail investors and smaller orders a crack at price improvement and better liquidity.

Dark pools executed trades are recorded to the exchange's consolidated tape as over-the-counter transactions. Dark pools can provide detailed information about the volumes and types of transactions to clients upon request or as required.

### ***What are the Risks?***

Dark pools have some risks, too. When information is leaked out of a dark pool it can lead to gaming – when a trader discovers what securities are within a pool and is then able to step ahead of dark pool participants. Because of this, traders have to be aware of when they are sending out information that could cause their order to be pre-empted by another trader.

Dark pools do not disclose identities or order information, but some dark pools may show symbol and side, send single or market-wide IOIs or set minimum participation requirements. When an IOI message is distributed either to a single contra-side or a marketplace to source liquidity, the risk of leakage and potential for gaming goes up.

However, traders have an option to opt out from using dark pool's IOI. It is up to the trader to decide the right trade-off between benefit and risk.

### ***A few questions to ask dark pools before you participate***

Is the pool a true dark pool, or will information regarding my orders be conveyed to other potential liquidity providers?

Does the platform route orders out of your dark pool to ECNs, ATSS or other external sources?

Is the IOI an opt-in or an opt-out process, or will this decision be made by the pool?

What anti-gaming controls are in place?



### **About OMEX**

OMEX Trading Technologies, LLC. designs and develops multi-asset trading systems for equities, options and futures trading. OMEX is a neutral, real-time platform that provides direct access to major global exchanges, dark pools, crossing networks, algo providers and leading market makers through a single trading interface. OMEX can be white labeled and branded to your firm's own trademark and look-and-feel.

For more information, please call **646-412-6002** or send us an email : [sales@omexsystems.com](mailto:sales@omexsystems.com)  
**WWW.OMEXSYSTEMS.COM**



# OMEX

Order Management and Execution System

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## ***How can I keep up with the ever increasing and evolving numbers of dark pools?***

To compete, participate and prosper, the firm should offer global electronic access to trading desks and to their clients with smart routing to existing exchanges, dark pools, and new and emerging venues. OMEX can help by providing access to major global exchanges, dark pools and crossing networks through a single trading interface. Our hosted solution can help your firm maximize resources so you can focus on trading opportunities rather than worrying about managing technology.

There are over 40 dark pools operating in the markets. Here is a list of some of the popular ones.

### ***BROKER-DEALER-OWNED DARK POOLS: DOMESTIC***

- Barclays Capital-LX - Liquidity Cross
- BNP Paribas-BIX
- BNY ConvergEx- VortEX
- Citi- Citi Match
- Credit Suisse -CrossFinder
- Fidelity-CrossStream.
- Goldman Sachs-SIGMA X
- Knight-Knight Match.
- BlockCross.
- UBS -PIN Cross

### ***CONSORTIUM-OWNED DARK POOLS***

- BIDS ATS
- Level ATS

### ***EXCHANGE-OWNED DARK POOLS***

- ISE Stock Exchange-Midpoint Match
- NYSE Euronext- Match Point

### ***INDEPENDENT DARK POOLS: DOMESTIC***

- Instinet CBX
- ITG-POSIT
- Liquidnet
- NYFIX Millennium

### ***INTERNATIONAL DARK POOLS***

- BlocSec
- Instinet KoreaCross.
- Instinet JapanCross
- NYFIX Euro Millennium
- SWX Europe-SWX Swiss Block
- Turquoise
- Chi-X

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**WWW.OMEXSYSTEMS.COM**