



OMEX

Order Management and Execution System

LOW LATENCY...FOR THE FAST MARKETS

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

TRANSACTION COST ANALYSIS

The Quest for Real-Time Transaction Cost Analysis (TCA)

Historically TCA has been done as post-trade exercise, comparing an actual execution with a variety of benchmarks such as VWAP. The analysis is done usually by the buy-side to measure the performance of individual brokers and various venues abilities for executing trades. The post-trade analysis also helps traders understand better characteristics of the orders they trade and assess which limits and aggression levels are appropriate. However, low latency data delivery, fast execution technology and analyzing tools coupled with fragmentation of market structures is fueling the demand for real-time TCA.

The real-time TCA analyzes pre-trade and in-trade cost of potential execution and improves trader's ability to monitor and adjust execution parameters for a single stock or list to help optimize trading strategy.

As liquidity continues to fragment across an ever increasing number of trading venues, determining exactly where to execute at any given moment has become a key performance driver. Today, traders face liquidity rarely with discernable intraday patterns across a multitude of dark pools and various venues at different times of the day, and all with different pricing models. As a result, analyzing transaction costs after the event is no longer enough.

What is implementation short fall and why is TCA useful in measuring it?

TCA represents the difference between two amounts, also known as an implementation shortfall. The implementation shortfall describes the disparity between the decision price of a given security and the final execution price associated with the trade. Sometimes the difference is referred as slippage. This type of shortfall takes into consideration all commissions and fees associated with the actual process of executing the trade. The goal of buy side traders is to minimize the amount of implementation shortfall that takes place, thus keeping the overall cost of acquiring the security as low as possible.

The excessive slippage directly reduces investor returns and hurts performance. In an environment of increased regulatory scrutiny and fierce competition, TCA has become an important tool at buy-side firms to analyze the efficiency of their entire investment processes.

In order to remain competitive, firms should look to offer integrated real-time TCA capabilities within the decision-making process with access to algos and dark pools so the buy-side traders can adjust their trading strategies dynamically with the market. The OMEX trading platform works with some of the leading TCA providers and the trading platform can be customized to deliver decision making support to traders.



About OMEX

OMEX Systems Inc. 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.

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