

Jacob Howard, Liquidnet
Global Marketing & Communications
+44 (0)20 7614 1626
jhoward@liquidnet.com

Sybille Mueller, Streets Consulting
Streets Consulting for Liquidnet EMEA
+44 (0)20 7959 2235
sybille.mueller@streetsconsulting.com

ACCESS TO LIQUIDITY DOMINATES DECISION-MAKING PROCESS FOR FIXED INCOME FIRMS

Survey of US and European bond traders reveals that the global impact of MiFID II, the rise in electronic trading, and OMS integration top their list of priorities

LONDON, NEW YORK – JULY 20, 2017 – Liquidnet, the global institutional trading network, today published the results of its Fixed Income Institutional Voice Survey, with US and European institutional traders revealing that “sourcing liquidity” is the most important factor when selecting a trading venue.

Driven by regulatory and market structure changes, the fixed income trading landscape has recently shifted as the buy side aims to find an optimal path to unlock and source liquidity when trading bonds. As a result, discussions around trading have moved toward an increase in electronic trading and having the right technology in place in order to navigate the rapidly changing fixed income market.

Further, the survey suggests that firms who are more aware of MiFID II have a better understanding of the importance electronic trading will play once the regulation is in place.

These trends are reflected in the survey’s responses. Highlights include:

- 1. MiFID II is driving global standards:** As the January 2018 deadline draws closer, the implications of the European-based legislation has attracted interest from a global audience with gaps emerging between US and European traders. Approximately one third of US respondents are still somewhat neutral about MiFID II’s potential impact. Over 91% of European respondents were aware of their firm’s MiFID II plans, aligning with 86% of European traders believing the regulation will send more corporate bond trading to electronic venues. By contrast, only 25% of US-based traders are aware of their firms’ MiFID II plans, with only 39% believing MiFID II will send more corporate bond trading to electronic venues.

- 2. Electronic trading is on the rise:** Access to liquidity remains the number one focus of both US and European traders when selecting a trading venue. More than 50% of respondents indicated that liquidity conditions were better compared to a year ago, and half of those surveyed reported an increase in fixed income electronic trading in the past year. These positive market conditions were further reflected with 54% indicating that peer-to-peer platforms (such as Liquidnet) were complementing existing workflows.
- 3. Integration and industry buy-in remain key venue selection criteria:** More than half of all respondents (58%) indicated that OMS integration was an important factor when selecting a trading venue. OMS integration not only ensures access to numerous liquidity pools, but provides the necessary MiFID II audit trails, making it an ideal tool to help with best execution requirements. "Critical mass" came in as a close third in the survey results: Liquidnet's platform has experienced notable growth in users since launch, with the fixed income Member community growing to more than 690 active traders.

"With regulators now attempting to force a much greater level of transparency, traders are concerned about the impact on liquidity sourcing, especially when getting large trades done," commented **Constantinos Antoniadis, Global Head of Liquidnet Fixed Income**. "Buy-side traders are turning to solutions like Liquidnet that are providing access to natural liquidity alongside data analytics tools required for best execution audit trails

"Although a European regulation, MiFID II has far reaching implications as global trading firms start to deploy best practices around compliance, transparency, and audit trails across both Europe and the US," said Mark Pumfrey, Liquidnet's Head of EMEA. "As discussions with our members around the impact of MiFID II evolve, we expect the gap between US and European markets to narrow, with the US increasingly directing more volume toward electronic venues."

SURVEY METHODOLOGY
Liquidnet's Institutional Voice Survey was developed to gauge insights and market sentiment of institutional traders working for the world's leading mutual, pension and hedge funds. The results from this year's survey are based on 52 responses from Liquidnet's member network of leading asset management firms based in North America and Europe. Participants were polled during a 5 week period ending May 19, 2017.

ABOUT LIQUIDNET

Liquidnet is the global institutional trading network where more than 850 of the world's top asset managers and other like-minded investors come to execute their large trades with maximum anonymity and minimum market impact. As the global leader in large block trading, Liquidnet provides access to unique trading opportunities in 44 markets across five continents. Liquidnet approaches every market with the same bold vision to provide a better, more efficient way to trade on a massive scale. It is this focus on size, combined with the strength of its network, disruptive technology, and commitment to transparency, that is revolutionizing the way equities and corporate bonds are traded. For more information, visit www.liquidnet.com and follow us on Twitter @Liquidnet.

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