



MAXIMUM RETURN, MINIMUM IMPACT

Smart order routing is an essential weapon in a trader's arsenal to combat the myriad of today's trading challenges. Fragmentation, growing number of execution venues and reduction in tick sizes are some of the key drivers that continue to reshape the global trading arena.

Progressively-changing structure of global markets is creating new paths for traders to follow and obstacles to overcome. Effective smart order routing allows traders to address these challenges by consistently capturing liquidity, executing at the best price, minimizing execution latency and decreasing information leakage.

A good smart order router (SOR) possesses logic that adapts to the idiosyncrasies and microstructure of different trading venues so that it knows where to trade, when to trade and how to trade. Knowing how different markets operate, how instruments trade on and across different venues and how other participants trade are all essential elements in calibrating SOR logic.

Knowing where to route the order is a critical SOR function. To maximize fill rates and ensure best execution, SORs need to take into consideration market microstructure and how different markets will respond to different order types.

In addition, a SOR must consider the performance of the exchanges' matching engines, latency and speed of other participants. Thus, determining where to place an order extends beyond simply looking for concentrations of greatest liquidity and tightest spreads. Neonet's SOR automatically routes orders to leading exchanges and to alternative venues, including dark pools, thereby capturing liquidity while reducing trading costs.

A good SOR identifies early trends and changes that effect market timing.

Knowing when to place an order comes from both market experience and deep analysis of current and historical market data. A good SOR identifies early trends and changes that effect market timing. Constant re-calibration of the smart order router is necessary to ensure that trade execution is being achieved with favorable results. Neonet's SOR constantly processes large amounts of data to understand how particular markets react to different order types and sizes. This allows the smart order router to send specific orders to different markets at optimal times when those orders are most likely to be filled.

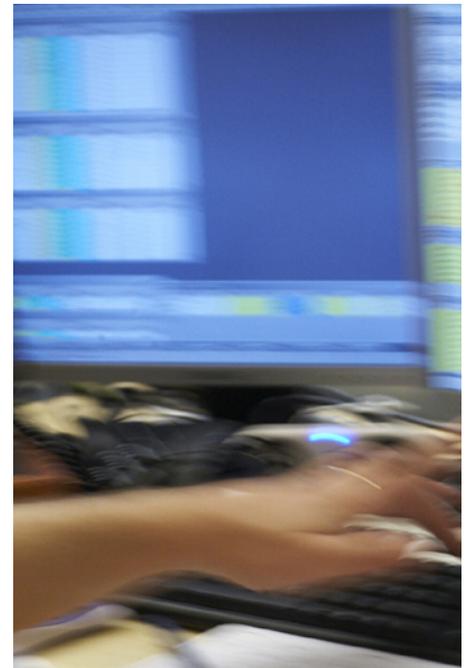
For example, a client wishes to buy 1,000 shares of Ericsson. The shares are available on two different exchanges, 500 shares each. If the orders are sent (not received) simultaneously, because of latency differences, those orders may be received by the exchanges at different times. The counterparty could have enough time to pull its other shares when its first lot is taken. To reduce the likelihood of this occurring, the SOR can send orders at slightly different times to ensure that they simultaneously reach each exchange. This decreases the chances that the counterparty will pull its shares before each lot of 500 shares is filled.

Smart order routing is essential to effective trading in today's challenging, ever-changing global markets arena.

Gaming is another critical challenge addressed by a good SOR. Every order placed on a trading venue can potentially signal a trader's intentions to the market. Therefore, SORs that utilize overly simplistic logic are susceptible to gaming.

SORs must be dynamic and constantly evolve to ameliorate the risk of gaming. Neonet continuously evaluates execution quality and market behaviors to understand if gaming is occurring and makes adjustments to its SOR logic accordingly.

Smart order routing is essential to effective trading in today's challenging, ever-changing global markets arena. The logic that drives Neonet's SOR is based on consumption of a wealth of historical and current market data, as well as hundreds of years of cumulative market knowledge acquired by its highly trained and experienced execution specialists. Neonet's SOR will continue to evolve, ensuring that it adds value to our clients by maximizing liquidity, reducing latency, minimizing transaction costs and helping to curb information leakage and gaming.



Sweden Tel. +46 8 454 15 00
US* Tel. +1 201 526 8600
UK Tel. +44 20 7942 0980
Germany Tel. +49 69 65600 311
Italy Tel. +39 02 805 807 21

www.neonet.com
sales@neonet.com

Neonet[®]
AN ORC GROUP COMPANY