



January 8, 2009

Canadian Buy-Side Takes Control of their Trades - Use of DMA (Direct Market Access) projected to reach 75% within the next six months.

(Toronto) – At the close of 2008, market research and communications specialists at Forefactor Inc. completed an update to its comprehensive tracking study entitled “**Perspectives on Algorithm and Electronic Trading in Canada: Are We There Yet?**”. Traders representing both buy-side and sell-side firms participated in the on-line survey between May 30th and September 2nd, 2008.

Forefactor President Renée Colyer states that the research reveals that 52% of the Canadian buy-side currently use DMA and another 25% have indicated they will be using it within the next six months. Further, the amount of volume being executed via DMA rivals the amount of volume sent electronically (e.g. FIX) to the dealers’ execution desks. Also, algorithmic trading strategies are operating in tandem with DMA and comprise a significant proportion of the buy-sides’ DMA flow. This trading behaviour is indicative of the buy-side’s desire to exert greater control over the entire trade cycle particularly in an economic climate that encourages the use of less expensive electronic trading methods. Given this context, it is critical that broker-dealers have an electronic offering. Overall, the research points to the fact that Canadian bank owned broker-dealers have yet to make significant inroads in the algorithm arena. “CIBC is the notable exception”, she added. “It is 10th with a 14% share of the algorithm market.”

The study reports that algorithmic trading overall is on the rise. “There is still significant opportunity to be tapped in the electronic trading space in Canada and strong interest in anonymously accessing a broker’s pool of dark liquidity. Canadian broker-dealers are well positioned to take advantage of market opportunities.”

Jeannette Tanguay, the report author, highlights the fact that the greatest use of algorithmic trading resides at broker-dealers either on their execution or proprietary trading desks. “Algorithmic trading is embraced most enthusiastically on proprietary desks followed by direct market access as a percentage of all trades executed within each of those channels. Broker-dealers are increasingly using algorithms to trade a wide variety of strategies and there is a clear preference for developing algorithm strategies in-house.”

Forefactor Inc. greatly appreciates the participation of the traders in this research. Their input facilitated this 2008 update of electronic trading in Canada.

For more information or to inquire about Forefactor's capabilities, please contact President, Renée Colyer.

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About Forefactor

Forefactor Inc. is an independent research and strategic consulting firm specializing in global capital markets. Forefactor combines its experience in design and execution of targeted research with expertise in global securities markets, trading technology, investment banking, equity research, and venture capital. Forefactor helps its clients reduce risk by facilitating informed, fact-based decision making. Our team of professionals challenge conventional thinking and provide unique and specialized insight into the global capital markets.

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