

RESEARCH METHODOLOGY

DATA COLLECTION

This research captured data through two avenues - in-depth interviews with target respondents conducted in-person or over the telephone and a self-administered survey. The in-depth interviews explored participant experiences and perspectives on algorithmic trading within the Canadian capital markets context. The self-administered survey was designed to deliver hard numbers on algorithmic trading as a proportion of total trades and related information on execution venues, algorithmic strategies used, their impact on passive/active trading strategies, pricing, etc. Interviews were conducted from April 17th 2006 to November 6th 2006.

PARTICIPANT PROFILE

Seventy-nine interviews were conducted in total with the following target segments:

- 34 interviews with PMs and traders on the buy-side representing 31 asset management firms with over C\$1.3 trillion Canadian assets under management; and
- 26 interviews on the sell-side with individuals responsible for trading, sales or prime brokerage representing 21 out of the top 25 brokerages in Canada based on value traded as at August 2006;
- 14 interviews with individuals representing 12 technology, ATS and exchange enterprises; and
- Six interviews with individuals responsible for national and provincial regulation or compliance.

CONTENT OUTLINE

- Participant profile
- Definition of algorithmic/program trading
- Profile of algorithmic trading tool users
- Pre-requisites for developing/offering algorithms
- Direct Market Access (DMA) trends and issues
- Systems implementation
 - Order Management System (OMS)
 - Execution Management System (EMS)
 - Tick database
 - FIX protocol
- Trade routing – dealer versus DMA
- Use of trade analytics
- Broker trade instruction on use of algorithms
- Anticipated evolution of the buy-side/broker relationship
- Status of Canada vs. US/Europe in algorithmic trading
- Appropriateness of algorithmic trading in the Canadian market
- Advantages/Disadvantages of using algorithms to trade
- Issues related to algorithm use
- Impact of algorithms on blocks and order size
- Commoditization of algorithmic trading tools in Canada
- Gaps in the current suite of algorithm offerings
- Future projections of algorithmic trading in Canada
- Regulatory issues related to algorithmic trading
- Potential impact of soft dollars/commission unbundling in Canada
- Perspective on the arrival of ATs and ECNs in the Canadian marketplace
- Leaders in the DMA/Algorithm trading space