THE TRADETech

LONDON DAILY 24-26 APRIL 2012

The official newspaper of TradeTech 2012—London

Issue 2—25 April 2012

Published by THE TRADE WORKING FOR THE BUY-SIDE

REGULATION

Europe's HFT curbs slammed by regulators

UK, Dutch regulators denounce new rules as 'based on fear'

Two senior national regulators have cast doubt on the viability of proposals by the European Parliament to control high-frequency trading (HFT) and have highlighted the practical challenges of implementing some of the rules.

In a debate on creating effective and intelligent rules around HFT that kicked off TradeTech Europe's focus day, representatives from the UK's Financial Services Authority (FSA) and the Netherlands' Association for Financial Markets (AFM) said they recognised the multiple concerns related to HFT but admitted that current regulatory proposals falter because of a lack of hard evidence.

"There are concerns around the risks of algos going rogue, market abuse and exactly what constitutes HFT," said Tim Rowe, manager of trading platforms and settlement policy at the FSA. "But many of the proposed amends to MiFID II appear to be based on anecdotal evidence and fear, which may or may not be legitimate."

Although he welcomed the growing body of academic research on HFT, including the Foresight project, a UK government-funded investigation into computer-based trading, Rowe added, "This is policy-making based on an information vacuum and there is not any clear hard evidence of what the actual problems associated with HFT might be".

The comments follow the release of proposed amendments to MiFID II made by the European Parliament's Economic and Monetary Affairs Committee. The proposals, which are due to be debated by MEPs today, include a ban on direct electronic access – i.e. the practice of sponsored access and direct market access – and a provision for all orders to have a minimum lifespan of 500 milliseconds. There

continues page 3 ▶

"This is policy-making based on an information vacuum."

Tim Rowe, manager of trading platforms and settlement policy, Financial Services Authority

EMERGING MARKETS

Stories of growth and commitment

As conditions support emerging market investment, technology is easing access

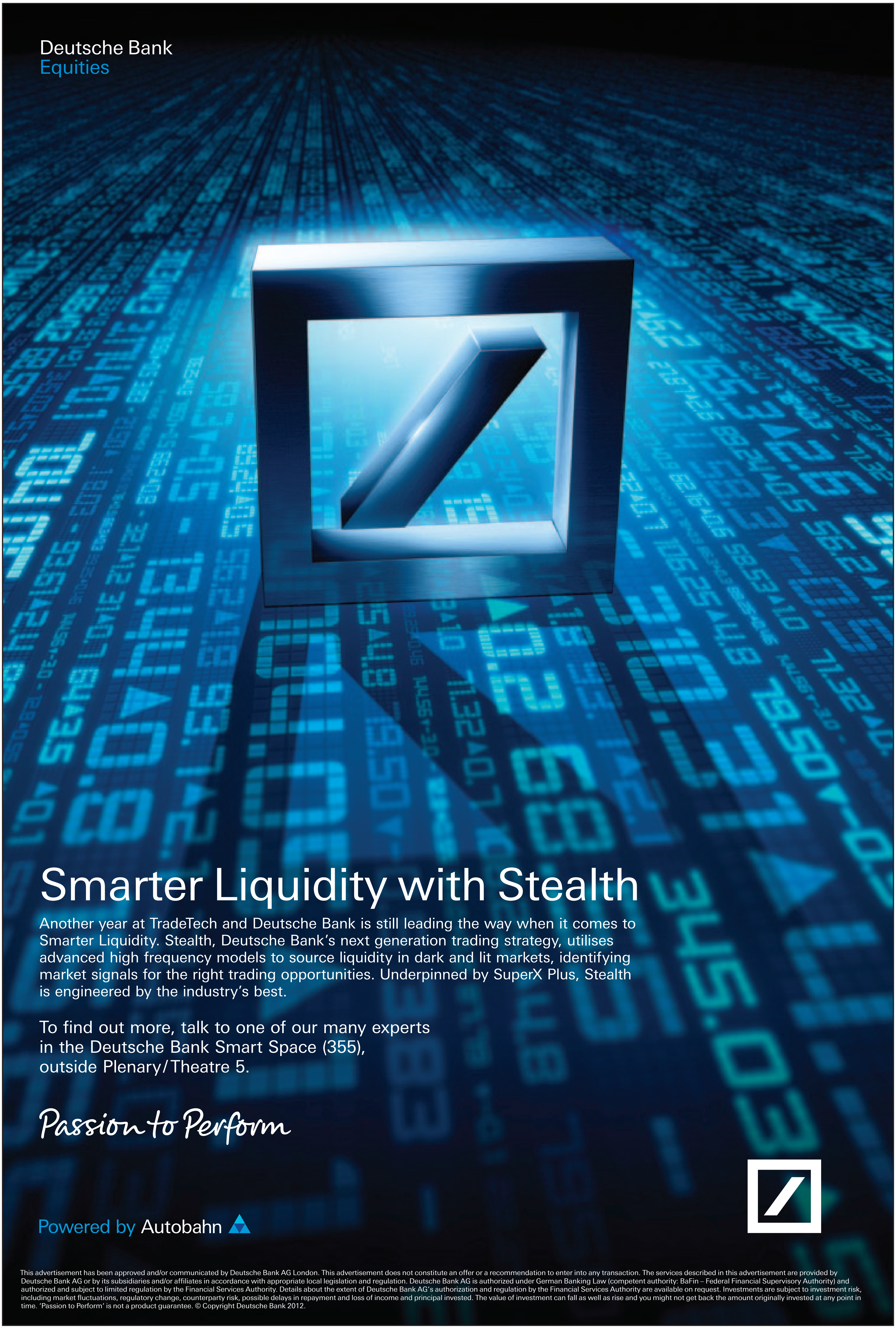
As is common when discussing emerging markets, the question of definition came up early in TradeTech Europe's Emerging Markets Focus Day. Paul Bowes, head of exchange traded instruments EMEA, Thomson Reuters, who chaired the day's events, pointed out that the term 'emerging markets' was coined in 1981 by Antoine Van Agtmael of the International Finance Corporation to refer to countries of low to middle per capita income and which today account for 80% of the world's population.

He suggested that this definition was not sufficient for investment professionals. Within the emerging markets universe, he noted, numerous efforts have been made in recent years to carve out different subsets of markets that investors can engage with: BRICS, IBSA, MIST CIVETS and MINT, to name a few.

Such labels are not instructive in themselves, Bowes suggested. In 1928, the business region generating the largest revenue for Reuters was India, followed by China and only then by UK. The concept of emerging markets would have had a different meaning in that context.

Nevertheless he acknowledged, "Something is going on in these markets." Investors want to identify the next China or Korea, where growth rates will outstrip the global average, and understand whether they will get there by following the Washington Consensus of 1990 about the path to development. Bowes pointed out that one factor ignored by the Washington Consensus was the way that emerging markets could successfully leverage technology – a theme that would inform the rest of the day's discussions.

continues page 4 ▶


Deutsche Bank
Equities
Smarter Liquidity with Stealth
Another year at TradeTech and Deutsche Bank is still leading the way when it comes to Smarter Liquidity. Stealth, Deutsche Bank's next generation trading strategy, utilises advanced high frequency models to source liquidity in dark and lit markets, identifying market signals for the right trading opportunities. Underpinned by SuperX Plus, Stealth is engineered by the industry's best.
To find out more, talk to one of our many experts in the Deutsche Bank Smart Space (355), outside Plenary/Theatre 5.
Passion to Perform
Powered by Autobahn
This advertisement has been approved and/or communicated by Deutsche Bank AG London. This advertisement does not constitute an offer or a recommendation to enter into any transaction. The services described in this advertisement are provided by Deutsche Bank AG or by its subsidiaries and/or affiliates in accordance with appropriate local legislation and regulation. Deutsche Bank AG is authorized under German Banking Law (competent authority: BaFin – Federal Financial Supervisory Authority) and authorized and subject to limited regulation by the Financial Services Authority. Details about the extent of Deutsche Bank AG's authorization and regulation by the Financial Services Authority are available on request. Investments are subject to investment risk, including market fluctuations, regulatory change, counterparty risk, possible delays in repayment and loss of income and principal invested. The value of investment can fall as well as rise and you might not get back the amount originally invested at any point in time. 'Passion to Perform' is not a product guarantee. © Copyright Deutsche Bank 2012.

◀ continued from page 1

Europe's HFT curbs slammed by regulators

is also a requirement for trading venues to charge higher fees for market participants that have a high ratio of cancelled orders compared to executed orders.

Disjointed proposals

Piebe Teeboom, senior policy advisor, strategy and policy at the AFM, labelled a number of the proposals as "incoherent". The Netherlands is home to a number of well-known HFT firms including Optiver, IMC and Flow Traders.

"On the one hand, there is a proposal that wants to commit participants to the market for a longer time, but on the other, the ban on direct electronic access limits the way people can enter the market," said Teeboom. "There is a real paradox presented by some of these proposals and we think the real focus should be on the core trading systems and controls."

Rowe questioned the urgency of the problem that the proposed introduction of minimum holding periods and order-to-trade ratios was attempting to address.

"There are legitimate reasons for cancelling orders and I am yet to hear anyone articulate what limitations on this will resolve. The proposals don't account for the differences in the time it takes to send an order to a market or the fact that HFT firms could just use multiple markets to counteract their impact," he said, adding a minimum resting period could require a substantial re-engineering of trading venues.

Peter Nabicht, executive vice president at Allston Trading, a US-based market maker that has recently set up operations in Europe, expressed particular concern at the proposal for a minimum quote life.

"This rule could increase systemic risk in the market," he said. "Market-moving news is disseminated in microseconds, so a 500-millisecond quoting minimum would prevent the market from reacting accordingly. This will ultimately reduce liquidity and lose people money. You can not divorce how the markets work from the rest of the world."

"There is a real paradox presented by some of these proposals."

Piebe Teeboom, senior policy advisor, strategy and policy, Association for Financial Markets

"Market-moving news is disseminated in microseconds, so a 500-millisecond quoting minimum would prevent the market from reacting accordingly."

Peter Nabicht, executive vice president, Allston Trading

The need for compromise

Panellists also doubted the efficacy of another MiFID II proposal, the now-infamous article 17(3), which would require users of algorithmic trading strategies to commit to providing liquidity on a continuous basis.

Rowe said that compromises would have to be made and said that the FSA would be prefer to see a solution whereby firms that want to engage in market making register with regulators and adhere to strict rules.

"These proposals have come from a very small group of people and have been laid out on the table of every European jurisdiction – regulators, politicians and government – for a debate that is still on-going," he said. "There is an awful lot of disagreement between the different regulatory bodies but we will reach a compromise."

There was however, a broad consensus on other regulatory initiatives to control HFT and other aspects of electronic trading, with Sam Tyfield, partner at law firm Katten Muchin Rosenman, noting the commonality between guidelines issued by the pan-European securities watchdog the European Securities and Markets Authority, prop trading industry body the Futures and Options Association's European Principal Traders Association and the Securities and Exchange Board of India.

Panellists agreed that such guidelines – and the requirements they place on firms to keep records of algorithmic strategies and systems – would help regulators to gain a better understanding of HFT.

While the debate about how best to regulate HFT in Europe, through MiFID II and other new rules such as the Market Abuse Directive, will rumble on for at least another 12-18 months, Mike Williams, CEO of Genesis Asset Management, the only buy-side representative on the panel, said that markets are in danger of ignoring the needs of long-term investors.

"The markets are lacking confidence and end-investor trust is fundamental to the operation of the market," he said. "When you look at some of the 'good ideas' the financial industry has had in the past, like portfolio insurance, collateralised debt obligations and derivatives, history is clearly not on our side."

◀ continued from page 1

Stories of growth and commitment

Underpinning investor sentiment

Simon Quijano-Evans, chief economist and head of research EMEA at ING, set out to reinforce the view that, while the next few months might still be rocky for the global economy, the trend in the medium term is positive for emerging markets investment.

The travails of the euro-zone have had a significant dampening effect on market sentiment generally, he acknowledged, with EMEA a major underperformer in 2011. He reminded delegates that, "In July last year, everyone was full of talk about debt default." He insisted, however, that the perception of the euro-zone in the UK is very different from the perception on the continent, where there is a clear commitment not to return to past divisions. "This commitment is very important for the future of central and eastern European markets," he noted.

From an investment perspective, he added, there is a clear expectation that central bank asset purchases will continue to provide liquidity to the market and that this should underpin investor sentiment. He acknowledged that the velocity of money remains very low and that, "It will be a challenge for both central and commercial banks to get people spending." However, Evans suggested, "If you compare year-on-year GDP growth in 2012 to three years ago, the trend is on the upside, consumer sentiment is picking up and it is becoming less receptive to the negative newswire reports."

Meanwhile, companies globally are holding record cash levels and M&A is starting to pick up. In emerging markets specifically, the debt story is in many ways better than in some of the major markets, Evans contended, with public sector debt-to-GDP levels lower in many emerging markets than in some of the worst hit euro-zone countries. Over a one-to-three year time frame, said Evans, greater ratings convergence will produce trading opportunities.

"It will be a challenge for both central and commercial banks to get people spending."

Simon Quijano-Evans, chief economist and head of research, EMEA, ING

Comparing notes

Following Evans' relatively upbeat macro assessment, Bowes moderated a panel discussion bringing together perspectives from Latin America, Europe and Asia. Linking back to his observation about leveraging technology, Bowes asked panellists whether the markets on which they focused were ready for electronic trading.

Emerging markets have been looking at development in US and Europe and working hard to adapt, said Carlos Hernandez, head of trading technologies, Interacciones Casa de Bolsa, Mexico. The Mexican market was not yet at a level that traders on NYSE, Nasdaq or Chi-X might be used to but, he said, "We have a new trading engine and are working hard to provide the conditions that traders in those markets would expect."

Sam Atkins, director, head of electronic trading product development at emerging markets investment bank Renaissance Capital, pointed out that emerging markets are working to the same set of best practices that define market infrastructure in major markets, and there are even developments in some emerging markets, such as pre-funding in local currency, that major markets are consider introducing.

"People should trade locally and focus on finding the right local partner."

Sam Atkins, head of electronic trading product development, Renaissance Capital

A perspective on the Indian market was provided by Seth Freeman, CEO, EM Capital Management, who suggested that Indian regulators have a policy of 'incrementalism' that is mindful of the need to protect local investors.

There was a consensus among panellists on the likelihood of certain major market advances in trading technology being welcomed in emerging markets.

While sponsored access is already available in certain markets such as Mexico, naked access would be out of the question. Colocation, on the other hand, is already widely available with markets such as Mexico easily accessibly through commercial connectivity packages.

Where possible, said Atkins, "People should trade locally and focus on finding the right local partner." Traders would then be able to take advantage of arbitrage opportunities that might otherwise escape them.

All panellists agreed that alternative venues, such as Europe's multilateral trading facilities, would not be making inroads in emerging markets any time soon. "Mexico has neither the market size nor the regulatory framework for MTFs," said Hernandez. As far as India was concerned, Freeman concluded, "We are a long way from that." ●

HIGH-FREQUENCY TRADING

High-frequency? It's just trading

Technology has made trading safer, insists HFT practitioner

High-frequency trading is a misnomer that owes more to fantasy than reality, according to Peter Nabicht, chief technology officer at Chicago-based HFT firm Allston Trading.

"HFT is trading," he says. "We don't call making a car highly-automated fabrication. We call it making a car. The difference is, now it's safer, quicker, more cost-efficient. Riding a bus is not low-latency road movement, nor high-frequency public transport. It's just riding a bus. HFT is the same."

For Nabicht, the language that has grown up around HFT is often biased and often derogatory. For example, one publication recently published the following sentence: "In a secret building in New Jersey, high-speed computers decide which stocks to buy and sell."

"This is not true – computers are not deciding anything. They simply run programs designed by people. There is no self-aware, Skynet-style computing network – it's a fantasy," he says.

Other examples include the use of the word "lurking" to describe a US-based HFT firm that had established an office above a furniture store. As Nabicht points out, in popular culture nothing good ever "lurks" – rather, the language introduces bias that sensationalises HFT instead of providing an accurate picture of market reality.

That reality involves the dissemination of technology and trading strategies originally developed by cutting-edge HFT firms to the rest of the market. In other words, most major trading desks at the world's major financial institutions are already using the elements of high-frequency trading, including low-latency, algorithmic, automated, quantitative and computerised trading.

"There is no self-aware, Skynet-style computing network – it's a fantasy."

Peter Nabicht, chief technology officer, Allston Trading

"Even if you don't think you are interacting with high-frequency trading, you probably are," says Nabicht.

Hedge funds, institutional investors and proprietary trading desks use algorithms to execute orders, because to achieve optimal trading performance they need to get their orders to the top of the order book as often as possible. Orders at the front of the book will then be able to trade as passive liquidity, without the sender firm having to cross the spread – saving money for the end-client.

"My concern is that by using this term 'high-frequency trading', we are in danger of chasing illusory scapegoats instead of seeing the bigger picture," says Nabicht. "Technology moves forward. A 'phone trader' in the past was not a separate category of trading activity, he was just a regular trader using a phone."

No rogue traders

HFT is currently the subject of several regulatory initiatives across Europe, including the Financial Transaction Tax in France and proposals contained in MiFID II. At the request of national regulator Consob, Italy's Borsa Italiana also recently introduced a charge for firms which cancel a high proportion of their orders. But contrary to concerns about the potential destabilising effect that some observers have suggested HFT might have on equity markets, Nabicht firmly believes that HFT offers a cleaner, safer model for trading that allows traders to trade more markets and more contracts with fewer resources than ever before.

"HFT has helped the entire market by providing technology that has now become standard across the board."

Peter Nabicht, chief technology officer, Allston Trading

"To set up a market making shop in London would once have been hugely expensive," he says. "Now, I don't need 30 people – I just need a few. HFT offers better risk protection, because we know exactly who placed what order where and when, so there should never be a rogue trader. HFT has helped the entire market by providing technology that has now become standard across the board."

When cars first hit the streets, attempts were made to regulate their speed by having someone walk in front of them with a flag. If modern regulators attempt to follow the same path with HFT, the forward march of technology suggests they may end up looking just as ridiculous. ●

Have investors been left behind in the race for pace?

New platforms seek to address long-only concerns

Reaggregation of liquidity a bigger problem for investors than HFT

While the rise of high-frequency trading (HFT) may have caused difficulties for long-only institutional investors, the current uneasy co-existence will likely be replaced by the rise of new trading platforms that provide a more welcoming environment for a mix of different market participants, according to a senior panel of securities industry participants.

"Many different groups of market participants have had their say on a range of market structure issues – but it seems to me that the one group that has the least say in where the market is going is the long-term investor," said Tony Mackay, former CEO and founder of Chi-X Europe. "That needs to change."

Long-term investors have had a difficult relationship with HFT to date. Some observers contend that primary exchanges and alternative trading platforms are now increasingly focused on attracting HFT flow – to the detriment of the institutional buy-side trader. HFT firms have been associated with abusive market strategies such as gaming, layering and spoofing, while some buy-siders have gone so far as to characterise HFT firms as "vultures" whose strategies do not contribute genuine liquidity, but merely use "smoke and mirrors" to take profit out of financial markets for their own gain at the expense of others.

"I'm not certain whether long-term investors care about a half-cent price difference when HFT has added so many other concerns to their list," said Mike Williams, CEO at Genesis Asset Management. "Is it worth it? My answer would be no."

"Is HFT worth it? My answer would be no."

Mike Williams, CEO, Genesis Asset Management

Fast but dumb

Other complaints include the charge that HFT firms create market noise that makes it difficult to discern genuine liquidity, due to the common practice of sending high volumes of orders and cancelling the majority. But for Mackay, it is a matter of market priorities. Contending that a "race for pace" has led exchanges around the world to jettison valuable functionality in a quest to reduce latency to the lowest level possible, he suggests that the result has been a market structure composed of cheap, fast but dumb trading engines that serve the HFT community more than the long-term investor. Meanwhile, the reluctance of different venues and brokers to interact with each other has led to a gridlock of institutional-sized liquidity.

"The block trading market is fundamentally under-served," he said. "Liquidity is divided up into proprietary fortresses that don't interact. People are scared to expose their flow to the market, and often times institutional investors have no way to interact with each other. Before computers, traders could pick up the phone to each other and simply arrange for the stock to be traded. It was an efficient market – and we should look at how we can bring that back."

Mackay plans to launch a new global exchange before the end of the year that will use social networking principles to let the buy- and sell-side trade larger blocks of stock by choosing both their preferred counterparties and terms of trade. The new platform will be rolled out in Europe, the USA and Asia.

However, the ability of such a new platform to achieve success would depend partly on its ability to overcome regulatory concerns about freedom of access. Larry Tabb, founder and CEO at financial research firm TABB Group, pointed out that the European Commission has already indicated that trading venues should provide open, non-discriminatory access to all market participants.

"If a trading platform has to operate an open-to-all policy, how can institutional investors avoid interacting with high-frequency flow?" he said. "Some long-term investors don't understand HFT – and that could make them an easy target for HFT firms that wish to take advantage."

Combined order book

According to Mackay, the best response is to create a single combined order book that does indeed allow access to all participants – but that simultaneously allows participants to choose which members they wish to expose their order to. Mackay's new platform will have three kinds of market: a call auction periodic crossing market; a continuous market; and a request-for-quote (RFQ) market. In each, users can list which firms to interact with on a disclosed basis – i.e., if an institution wishes to trade 100 orders, it can disclose 80 of those orders to a trusted sub-set of buy-side firms, 10 more to hedge funds, and another 10 to selected sell-side firms, for example.

"Some long-term investors don't understand HFT – and that could make them an easy target."

Larry Tabb, founder and CEO, TABB Group

In the RFQ market, users will also be able to choose which specific traditional and independent market markers they wish to engage. The intention is to offer free and open access for broker-dealers as well as buy-side firms, and to enable market participants to cross inside the spread with trading fees rewarding bigger blocks.

Adding that HFT has improved execution quality in Europe by narrowing spreads for institutional investors, Mackay insisted that the real problem facing market participants is liquidity fragmentation. "HFT firms operate a variety of different strategies," he said. "The typical HFT strategy provides liquidity – but some HFT strategies take liquidity. Some arbitrage dual-listed stocks. Chi-X would never have succeeded without the support of HFT flow. How we aggregate Europe's fragmented liquidity back together again – that is the real question we need to answer."

"The block trading market is fundamentally under-served."

Tony Mackay, former CEO and founder, Chi-X Europe

CENTRAL & EASTERN EUROPE

Poles apart

Fast-maturing market infrastructure provides blueprint for CEE region

If you're looking east for investment opportunities, there are very good reasons to cast your eyes towards Poland, where IPOs are aplenty and the trading environment is foreigner friendly, according to a panel of experts at TradeTech Europe's Emerging Markets Focus Day held in London yesterday.

Last year, the number of IPOs on regulated and alternative markets in the country totalled 203, placing Poland first in Europe by number and third in value. In 2011, equity trading volumes on the Warsaw Stock Exchange (WSE) hit almost €70 billion – dwarfing its nearest regional rivals, the Vienna Stock Exchange (€29.9 billion) and Budapest (€13.8 billion).

Andrea Ferancova, partner at Prague-based Central and Eastern European investment bank Wood & Company, put Poland's high rate of IPOs down to the country's business spirit.

"Polish people are very entrepreneurial – much more so than others in the region," Ferancova said. "And Poland is very diversified, with many companies in the full range of industry sectors."

With an already high level of foreign investment in the country – around 47% of turnover in equities last year was with foreign players – Bartosz Świdziński, chief specialist in market development, Warsaw Stock Exchange, said the bourse was looking to make it even easier for non-Poles to trade.

"Clients are looking for additional services such as algo trading and opportunities for arbitrage of dual-listed companies."

Andrea Ferancova, partner, Wood & Company

"We already have the biggest global banks but we are looking to attract more regional banks as well," said Świdziński. "Changes in our trading system are designed to increase capacity tenfold by November and lower latency to 0.15 milliseconds. We're looking to create new products, such as options on single stocks and new exchange-traded funds."

"Changes in our trading system are designed to increase capacity tenfold by November."

Bartosz Świdziński, chief specialist in market development, Warsaw Stock Exchange

The makeover is the result of a two-year agreement with NYSE Euronext for the migration of WSE markets to NYSE Technologies' Universal Trading Platform.

Ferancova said all stock exchanges in the region were currently trying to transform into "Western-style" exchanges but Poland was ahead of the pack.

"For Western firms, the changes may not seem like anything new but they bring the exchanges in line with the more mature markets," she said. "Clients are looking for additional services such as algo trading and opportunities for arbitrage of dual-listed companies. The region's trading systems are changing to help facilitate these activities."

Clear opportunity

Changes within the nation's clearing and settlement operations are also aimed at easing international access to Poland. The country's national central securities depository (CSD) – KDPW – is now letting participants offer omnibus accounts to allow greater access for global investors to the country's equity markets. Depository participants can now operate omnibus accounts in their own name and allow them to be used by multiple clients.

Marcin Truchanowicz, managing director of KDPW_CCP, said in the initial phase, he expected global custodians to maintain their current account relationships with local Polish financial intermediaries, taking advantage of the new omnibus account services at the second-tier accounting level.

"We expect foreign CSDs – especially smaller CSDs in the region that would like to give their members access to the Polish market – to open direct omnibus accounts in KDPW, since these CSDs will not in general require the full value-added service offered by Polish financial intermediaries," said Truchanowicz. "In the medium-to-longer term, we expect to see a greater use of the account operator model by foreign global custodians and other international market players, where the omnibus account is moved from the local Polish financial intermediary to KDPW – generally for risk management purposes."

But Truchanowicz said all instructions sent by the global custodians – as well as provision of value-added services – will continue at the level of the local Polish financial intermediary.

"As KDPW builds its portfolio of services in the long term, we may well see a migration of accounts and participation from local providers to KDPW, but this will really depend on the range of services the account holders are looking for," said Truchanowicz. ●

REGULATING HFT

Dealing with the unintended consequences

Will regulators always get it wrong?

Speakers offer perspectives on the disconnect between new market participants and regulators

Lively early afternoon sessions chaired by Will Rhode, principal, director of fixed income research, TABB Group, brought a diverse array of perspectives to the subject of regulation and its impact on the development of high-frequency trading (HFT).

Rhode himself presented some findings of TABB Group research on OTC markets. This suggested that regulation was creating a fertile ground for the emergence of HFT firms – or as he defined them, principal trading groups – in those markets. The closed systems of today's trading would give way to "a combination of designated contract markets (DCMs) and swap execution facilities (SEFs) which, supported by certainty of clearing, will drive transparency to levels that are uncomfortable for existing dealers with a commensurate threat to their current high profitability," Rhode surmised. While progress might appear slow and would be resisted by many, Rhode posited that "once a tipping point is reached, shifts occur quickly and HFT participation will be significant." This would lead to tighter spreads, smaller fill sizes, more trades and exponentially larger numbers of largely automated RFQs.

While the regulators are busy, perhaps unwittingly, creating new opportunities for HFT in OTC markets, the same people are now trying to put the genie back in the bottle as far as equity markets are concerned through MiFID II. A five man panel debated the changes that might result from new rules. All agreed that the proposed regulation was mad, bad and dangerous but for different reasons. Rob Hegarty, managing director, global head of market structure, Thomson Reuters, gave the regulators in the US credit for "trying to understand before they regulate". Panellists were less sympathetic towards the European Parliament's MiFID II proposals, which Martin Ekers, head of dealing, Northern Trust Investments, thought showed that "regulators do not understand and as a result unintended consequences are bound to occur".

"MiFID II showed that regulators do not understand and unintended consequences are bound to occur."

Martin Ekers, head of dealing, Northern Trust Investments

Protecting the laggards?

Panellists spent some time reviewing the unintended consequences of past regulation. Nick Nielsen, head of trading, Marshall Wace, felt that decimalisation in the US had directly contributed to increased message volumes, not to mention consequent unacceptable delays in market data. Peter van Kleef, principal, Lakeview Capital Market Services, offered a typically robust defence of the positive effect of narrower top of the book spreads brought about by penny spreads and HFT firms. In his view the problem with new regulation was that "it is protecting those firms who have not invested to take advantage of new trading opportunities". His further view that exchanges should be made to ensure that their markets were not disorderly failed to address how this approach would deal with cross-venue and cross-asset class abuse.

Matthias Rietig, executive advisor to the board, Osaka Securities Exchange, thought the new EU regulations were "some kind of witch hunt". He also tried to deal with the competing interests between members and shareholders that exist now that exchanges are commercial entities. Ekers stated that "it seems as if some politicians would rather we went back to a single national market with everyone trading at the pace of the slowest technology". Comments from other panellists and the audience implied that surely even politicians could not be that lacking in understanding.

"Markets are now about trading not capital raising."

Rob Hegarty, managing director, global head of market structure, Thomson Reuters

So the panel agreed that the last set of regulations for equity markets had encouraged for profit exchanges, competing for business based on new pricing models, low latency co-location and smaller tick sizes. In turn this had led to dramatic increases in message volumes requiring ever greater hardware and market data capacity and cost. A TradeTech audience could hardly fail to agree that this must be a 'good thing' even if it was largely unintended. Trying to wind back the clock was at best misguided and at worst disastrous. As Hegarty highlighted, "Markets are now about trading not capital raising." Perhaps this is the fundamental misunderstanding between new market participants and politicians. ●

RUSSIA

Bringing liquidity home to mother Russia

Merged Russian exchanges seek to repatriate flow

Russian primaries face stiff competition from LSE

Regulatory developments and improvements stemming from the merger of Russia's exchanges will eventually draw liquidity from foreign exchanges which list Russian stocks. But the transformation will take up to four years.

"We want to bring liquidity back to where it should be," Vahan Vardanian, managing IT director at OJSC MICEX-RTS, said yesterday at TradeTech Emerging Markets in London. "But change will take three-to-four years and the environment will be very different from now."

RTS and MICEX completed their merger last year, creating a single-stop shop for local and international market participants to trade equities, bonds, derivatives and currencies. The exchanges are currently integrating their markets and are planning an IPO in 2013 but panellists at yesterday's midday session unanimously concurred the market was in for a three-to-four year ride.

"When we were looking at transforming the exchanges, we asked clients what were their problems. They said the lack of a central depository, settlement and transparency. We are working on all of these problems," said Vardanian.

Preparing for battle

The new national mega-bourse is set to receive stiff competition from the London Stock Exchange's (LSE) International Order Book (IOB) – which provides trading in foreign securities via depository receipts. The IOB accounts for a significant proportion of the LSE's business – understood to be some 18% – and is home to five of the bourse's 20 most heavily traded securities.

The IOB has recently taken a number of measures to boost liquidity, including the 2 April introduction of electronic market makers.

"We want to bring liquidity back to where it should be."

Vahan Vardanian, managing IT director, OJSC MICEX-RTS

"In the short term, the changes at RTS-MICEX may actually take liquidity out of the market, scaring global clients – at least temporarily – back to the IOB. But we support the changes," said Stas Surikov, head of prime brokerage and electronic trading at Russian brokerage BCS Financial Group. "In fact, we think they should have happened years ago."

Denis Svechnikov, head of client relations and DMA sales at Russian brokerage URALSIB Capital Financial Services, said three issues were still stopping global investors from accessing the Russian markets: "The first is a perception of a country where you cannot trade. The second is that currency risks are unmanageable. And the third is difficulty clearing – T+0 is a nightmare."

Serge Alexandre, senior sales executive, global electronic trading services at Russian broker Otkritie, said one of the greatest problems global investors find when trying to trade in Russia, is a lack of information.

"Reliable information is often difficult to find," Alexandre said. "Even by calling up issuers you may not get the correct dividend dates."

One step beyond

But even with its hurdles, the 'R' in BRIC has continued to hold its attraction to enough investors to warrant the use of electronic trading techniques and even high frequency trading strategies.

"The prop desks of most global banks which are in Russia already use algos for their own trading but they don't provide access to their clients," said Vladimir Kurlyandchick, director of business development at system supplier Arqa Technologies.

And the trend looks set to continue.

"We see a trend towards using algos but even more so quant strategies are on the increase – high-frequency trading across all markets now represents around 40% of volumes," said Vardanian.

MARKET DISLOCATION

Don't bet against another flash crash

More investigation needed into human-trader interaction

While many market participants still view the 6 May 2010 'flash crash' as a largely isolated incident, the complexity and interconnectedness of large-scale financial systems means a similar event might closer than many think.

The warning came from Professor Dave Cliff, department of computer science, University of Bristol, who presented a scientific view of financial market infrastructure to delegates at TradeTech's High Frequency Focus Day.

He pointed out that market disruptions like the flash crash – where a rogue algorithmic trade caused the Dow Jones Industrial Average to nosedive by 9.2%, its second largest drop ever – are more common that people think. Cliff cited plunges in the price of gold and silver on 2 May and 3 May 2011 respectively, a crash in the price of natural gas a month later, and the failure of BATS Global Market's IPO last month, which traded as low as US$0.0002 just over a second after its debut.

In trying to explain the common causes of these market failures, Cliff mentioned research by sociologist Diane Vaughan, who introduced the concept of normalisation of deviance after examining the Columbia space shuttle disaster in 2003.

Put simply, normalisation of deviance considers the human interaction with high-risk technologies, and the tendency for humans to become more accepting of outlying events if they do not have drastic consequences.

"Humans are very good at screwing up financial systems with monotonous regularity."

Professor Dave Cliff, department of computer science, University of Bristol

Pushed to the limit

"High-frequency trading pushes the boundaries of technology in exactly this way," said Cliff. "Market crashes can be considered deviant events that may become normalised. Just because we haven't had a flash crash for a few years means it may be considered to be an exceptional event, but this is just not the case."

When combining this with financial crises, the results can be disastrous.

"Humans are very good at screwing up financial systems with monotonous regularity," said Cliff. "What makes it more interesting is that we are also very good at pushing risk technology beyond its boundaries. When these two trends meet, you get a 6 May-type event – we are in a new world where our ability to screw things up is enabled by ultra-high speed, adaptive, autonomous technology."

To try and mitigate this risk, Cliff said more work was required to properly assess the interaction between human traders and algo systems and a mapping of the network of financial markets – as proposed in a recent paper by Andrew Haldane, executive director, financial stability at the Bank of England – would be a good start.

Based on his observations and as a preview to another discussion he will be involved with during Wednesday's main conference, Cliff left with a parting shot to European regulators that are in the process of reviewing MiFID II and have proposed a number of high-frequency trading curbs.

"Some HFT regulation has been formed by people who simply do not understand the words they are using," he said.

TRADERS WANTED

>>>>>>>>>>>>>>>>>>>>

>> Test your trading skills against other traders on our **Trading Simulation Game** at TradeTech April 25-26, booth #349.

>> The top 10 traders will join Tradebook at the **Goodwood Festival of Speed** to celebrate our award for Speed from the readers of *The Trade.*

THE TRADE
WORKING FOR THE BUY-SIDE
2012

The 2012 Algorithmic Trading Awards

Recognising excellence in algorithmic trading services

Speed

top ranked:
Bloomberg Tradebook

Bloomberg Tradebook

LATIN AMERICA

Rock solid Brazil

Surviving two decades of successive domestic crises, Brazilian stock exchange BM&F Bovespa is well placed to manage in global meltdown. It isn't immune – but it is safe, says broker Alvaro Guti Vidigal

The past 20 years have taught Brazilian stock exchange BM&F Bovespa to drive well in bad conditions, Alvaro Guti Vidigal, SOCOPA CEO and Tradewire Securities chairman, told TradeTech yesterday.

Vidigal recapped a two-decade history of consecutive market crises. Low-points included President Fernando Collor de Mello's government's 1990 plan to confiscate the nation's savings in order to bring down inflation, then at 1,600%. The move resulted in Bovespa losing 50% of its value.

The result of successive crises, suggested Vidigal, was a progressive shift towards security. If a 1989 scandal where local entrepreneur Naji Nahas was accused of "breaking the stock exchange" resulted in the criminalisation of brokers financing their clients, the centralisation of stock loans seven years later cleaned up a mechanism rife with fraud – and attracted hedge funds to what had until then been a long-only market.

"In 20 years, I've never seen a default that could hit Bovespa – the brokers, yes, but not Bovespa."

Alvaro Guti Vidigal, CEO, SOCOPA

"Because all stock loans had been done over the counter, it used to be like renting an apartment," Vidigal said. "At the time, it was difficult to persuade pension funds and foreign investors to loan stocks. You'd arrive in New York and say: 'I want to borrow your stocks but there won't be any collateral'. The response would be: 'Get out of here'."

A significant improvement to the security of the trading environment itself came with the 2007 demutualisation and the subsequent listing of the up-to-then broker-owned Bovespa. "It became much more professional. The quality of transactions, and the security of the environment itself, improved," said Vidigal.

With stock loans worth US$2 billion transacted on the exchanges so far this year, Vidigal said the system was now "very safe".

"In 20 years, I've never seen a default that could hit Bovespa – the brokers, yes, but not Bovespa," he said. "The past taught us how to drive in bad conditions. In the financial crisis, Brazil did well. It fell from 71K points to 40K points – but there were no bankruptcies."

He added: "I'm not saying Bovespa is going up or down. I'm saying it's safe."

Bridging the gap

Meanwhile, TABB Group senior analyst Rebecca Healey identified Brazil, with the other BRIC economies, as "bridging the gap between poor developed market performance without the risk associated with frontier markets".

She said market access and liquidity would be paramount as investors – especially hedge funds – shifted away from developed markets in search of alpha.

Automation and the development of ever more sophisticated algos, having increased trading in emerging markets from 60% in 2009 to 75% in 2011, will continue to encourage the geographical shift.

"Additional market structure nuances make it difficult to trade emerging markets over the phone and easier to trade using algos," said Healey. She forecast liquidity-seeking algos would eventually create a level playing field between developed and emerging markets.

Yet Healey also identified significant remaining barriers to investment in emerging markets, including restrictions on foreign investor access, implementation delays, political uncertainty and concerns over future regulation.

"Emerging markets recognise that to attract capital, they need to have similar structures to those in developed markets," she said. "Regulatory reform will be the killer piece because it will hamper investors' ability to choose where they trade and which assets they trade. At the same time, derivatives products will increase liquidity not just for fundamental investors but for quantitative firms and high- frequency traders. If investors can't short equities as a hedge, they'll look for alternative products." ●

INDUSTRY PERSPECTIVE

Buy-side playing for higher stakes

Trading desks need broader asset management nous as client needs evolve

Traders need a greater appreciation of the investment process if they are to survive and thrive in modern investment houses, according to Richard Lacaille, global chief investment officer, State Street Global Advisors (SSgA).

Lacaille believes the asset management business has entered a more challenging era, with the bar being raised by clients demanding on the one hand greater access to indexing products and on the other increased alpha. And traders need to respond.

With assets under management flat or only slightly up and low interest rates on cash balances, investors are demanding lower fees, putting further pressure on portfolio managers and, in turn, the trading desk.

"Asset management is becoming more complex. If you want to continue your career as a trader, you need to better understand asset management," says Lacaille, who is addressing TradeTech Europe this morning on the future of the asset management industry.

As CIO, Lacaille has overall responsibility for all investment management activity at SSgA, including research and trading. He joined the buy-side firm in 2000 and has served as both European CIO and head of global active equities. Before joining SSgA, he was at Gartmore Investment Management, where he held a variety of posts in quantitative fund management and research, including periods as head of quantitative research and head of structured equities.

The art of reinvention

In Lacaille's opinion, the challenge for the asset management industry will be for it to reinvent itself in a world where funds are migrating away from traditional 'straight' equities funds into liability-driven investment strategies as the investor's focus turns increasingly to risk management.

"If you want to continue your career as a trader, you need to better understand asset management."

"This move is not just an issue for asset managers," said Lacaille, whose presentation this morning will consider how the economic environment and investor sentiment is changing buy-side strategies and priorities. "It is causing pressure on the markets and traders need to think through their own strategies."

And these strategies need to stretch beyond equities. At SSgA, Lacaille said the firm took the decision to move its fixed income trading into the central trading desk, not because there was any great crossover in specialisation, but because fixed income is changing more rapidly towards electronic trading and the knowledge transfer from equities traders – such as use of electronic and algorithmic trading tools – would be beneficial.

"There is always a healthy degree of communication between our desk heads and portfolio managers. At SSgA, trading has a much higher status than at many other places, with the global head of trading reporting straight to me," said Lacaille. "It is not seen as a back-office function. Trading is a risky business which affects performance. A firm's attitude to trading is a cultural issue."

But Lacaille warns buy-side firms against going down the path of making traders responsible for alpha.

"All CIOs should be cautious of setting up their trading desk as a generator of alpha as there is a law of unintended consequences," he said.

Regulatory upheaval

Lacaille's warning comes as regulatory pressures are forcing change on the trading desk in an environment where rule-setters and politicians believe equity markets are too focused around the activity of trading, with the interests of investors often left far behind in the wake of high-frequency trading.

In Europe, MiFID II will extend its scope to fixed income instruments and will try to impose a pre-trade transparency regime similar to that which exists in Europe's equity market. And a number of new regulations, including the European market infrastructure regulation, will alter the way derivatives are traded, shaking up long-established rules particularly in the OTC markets. The convergence of these market structures is leading to a reappraisal of the skillset required by buy-side traders, specifically more autonomy, through a further increase in self-directed trading and greater choice in deciding the most appropriate route for gaining a particular exposure.

"All CIOs should be cautious of setting up their trading desk as a generator of alpha."

But the wider buy-side community faces regulatory upheaval too. In particular, asset managers are concerned about the impact of Solvency II – the European Commission directive designed to harmonise the capital requirements of EU-based insurance firms – especially after accounting firm Deloitte published a survey in March which suggested that the average FTSE100 firm could be hit by a rise in its pension liabilities of £1-2.5 billion.

At TradeTech this morning, Lacaille will challenge delegates by exploring a range of issues for the buy-side trader, the portfolio manager and asset management's C-suite, including how to keep a handle on investor sentiment when market conditions are volatile and how can this be gauged with the accuracy required. Lacaille will also provide his thoughts on overhauling investment and trading strategy in a global asset management firm in response to wild variations in levels of investor risk appetite and projecting the impact of market conditions to pre-empt a permanent and radical change in buy-side strategies and focus. ●

TO LEARN MORE …

Looking into the future of asset management: how is the economic environment and investor sentiment changing buy side strategies and priorities?

25 April – 08:40-09:10

Man and machine: partnership or takeover?

Advanced artificial intelligence breaks through barriers

Human traders must adapt to survive

After years of development and tweaking, trading technology is finally reaching the level where it is able to replace human traders. The key is identifying the tasks that are best suited to machines, then concentrating human resources where they are most needed, according to Nik Wislang, head of electronic trading at global hedge fund GLG Partners and Rob Passarella, vice president of institutional markets at information services provider Dow Jones.

"Machines are starting to learn," says Passarella. "They are gaining the ability to understand the characteristics of a situation and devise new strategies or identify new themes. They are absorbing information, storing it and then using it to inform their behaviour."

A new intelligence

Recent innovations suggest we may be reaching a critical level. In 2011, the computer system Watson, developed by IBM, gained fame when it competed on the US quiz show Jeopardy!, defeating two human champions. Watson used deep data to understand and solve questions – raising the possibility that, if a machine can draw on enough information to understand context, it can outperform a human trader every time.

"In highly liquid markets, it's very hard to compete against a machine and it's becoming more so," says Passarella. "Machines are much better at speed. They can be programmed to execute when they detect certain signals. More and more people are embracing reactive or systematic algos, because machines can process so much data so fast."

A global financial market is more complex than a chessboard, which has a limited number of possible moves. To handle the myriad permutations, the latest practical artificial intelligence is being developed to use data and scoring systems to understand the implications of financial transactions and market movements. Drawing on huge quantities of information, systems are being built to distil data in such a way that the context can be revealed.

"Machines are starting to learn. They are absorbing information, storing it and then using it to inform their behaviour."

Rob Passarella, vice president, institutional markets, Dow Jones

Once a level of awareness has been reached, the next step is choosing courses of action, based on available signals and information. Passarella says machines are now able to use a combination of current signals and historical information to work out probabilities and the likely effectiveness of various possible actions. For example, if a listed oil firm suffers a spill and its stock is falling, an advanced system such as Watson might produce four or five different possibilities that a human operator can act on.

"It's a speed game in cognition," says Passarella. "The one key that many really good market participants have in common is cognition. They understand quickly when they see an emerging theme – perhaps because they've either seen these patterns before, or they're working on specific ideas related to those patterns. A machine can make that link much quicker, because it can identify multiple patterns and even hidden patterns."

Placing the human

For Wislang at GLG, the rise of the machines needs to be recognised by human traders, who should change their behaviour accordingly. Traders may be adding unnecessary costs by micromanaging trades that could be better handled by algorithms, he suggests, noting that the tendency of some US trading desks to interact with the microstructure of the market, for example splitting up child orders manually, can be counter-productive.

"When a trader decides not to use an algorithm and interacts with the marketplace, that causes a lot of tickets and a lot of costs downstream in settling all these smaller trades," he says. "I'm of the view an algo will do better than a human. Using an algo, you only have one order to the broker, reducing the settlement costs as well as the chance of things going wrong."

Taking into account the cost of a trade in terms of settlement, risk management, confirmation, sending trade files to administrators and maintaining sufficient staff in the back office to deal with the trade data, might cause asset managers to view the value of their execution choices differently, suggests Wislang. The balance of human interaction in financial decisions is shifting. So should human traders fear for their jobs? Wislang doesn't think so. Instead, he believes intelligent AI merely frees up human operators to spend more of their time where it can generate the best returns.

"Let the machines deal with the orders that are appropriate to them," he says. "Human traders should deal when there are factors that require the subtleties that humans can detect, such as the intonation in the broker's voice over the phone. That's when a human being can really add value to a trade."

"I'm of the view an algo will do better than a human."

Nik Wislang, head of electronic trading, GLG Partners

TO LEARN MORE …

Guest speaker: Living in the world of algos – are we really set to lose control to algos we wrote and implemented ourselves? Kevin Slavin, founder, Area/Code
25 April – 12:30-13:10

Determining how to minimise IT cost while achieving optimal trading system performance
25 April – 14:15-14:45

Panel: best practices to enhance the performance of your global trading infrastructure
April 25 – 14:45-15:15

Changing dialogue of news – the new ecosystem
April 25 – 15:15-15:45

Using artificial intelligence and machine learning based trading systems to enhance your futures trading strategy
April 25 – 14:45-15:15

Putting machines in charge of your strategic decisions: theory, practice, risk and reward
April 26 – 14:15-14:45

Panel: Colocation, proximity hosting, and data centre optimisation
April 26 – 14:45-15:15

Cloud brings silver lining

Software solutions radiate at TradeTech

BT has set out a series of additions to its BT Radianz Cloud portfolio and BT Radianz Proximity Services that will extend the footprint of its hosting abilities at non-BT data centres and provide the lowest latency between trading venues.

Called BT Radianz Venue, the new services are designed to help customers address the challenges of liquidity, fragmentation and new trading opportunities while enhancing trade execution performance.

BT Radianz Venue consists of three services – BT Radianz Venue Interconnect, Venue Access and Venue Presence. These offer low latency venue connectivity and monitoring, connectivity to the BT Radianz Cloud and managed infrastructure services.

Meanwhile, market data management and analytical solutions provider OneMarketData has revealed two client wins – SIX Financial Information, formerly known as SIX Telekurs, which is using the OneTick Database for market data distribution, and Linz AG, which will use OneTick for data storage and analysis of its futures market, trade and execution data.

Trading communications provider IPC Systems has introduced a set of products designed to give trading firms technology and communication abilities across the trade lifecycle. The new products consist of Unigy Pulse, a device, and Unigy Pulse Mobile, an iPad application, which have been added to the firm's Instant Trading Collaboration Suite. Unigy Pulse supports middle- and back-office personnel, while Unigy Pulse Mobile allows users to communicate on the move.

Managed automated trading service provider CFN Services has expanded its European presence with its Alpha Platform On-Demand, a financial markets public cloud accessible in London and Frankfurt. The firm has also accelerated expansion of its core Alpha Platform low-latency connectivity infrastructure to Madrid, Zurich, Milan, Stockholm and Moscow. The firm's products support ultra-low latency market data delivery and trade execution, with support for OMS/EMS, risk management, market data, back-testing and clearing and settlement with direct market access.

Connectivity provider Perseus Telecom and Indian telecoms services firm Reliance Communications have launched a trans-Atlantic network connection, QuanTA, which they claim is the world's fastest. The link between Long Island, New York and Lands End in the UK is designed to provide the lowest possible latency for trading firms trading between the two regions.

Market data and systemic trading solutions provider QuantHouse has released the latest version of its QuantFACTORY product to enable quant traders and other market participants to build alpha models and algorithms for business development. Users can simulate latency, test results across all asset classes.

Fidessa Intelligence helps mid-tier gain edge

New tools take pressure off smaller brokers

Trading technology vendor Fidessa has launched a new set of tools to help European sell-side firms provide better execution services to their buy-side clients and manage costs more effectively.

The new tools, introduced under the Fidessa Intelligence brand, offer pre-trade, real-time and post-trade analytics and will be primarily targeted at the firm's small- and medium-sized broking clients. Fidessa says smaller brokers are under more pressure to offer a differentiated service in light of increased market complexity, impending regulatory change and intense competitive pressure.

Fidessa Trader Intelligence, a pre-trade analysis tool that is already offered in the US, is now available in Europe and is designed to help brokers make better sense of data compiled from multiple sources.

"The industry now has to store and process more order and transaction data than ever before," said James Blackburn, director of product marketing for Fidessa's software-as-a-service business.

The Real-Time Intelligence tool will support the sell-side in its pursuit of best execution obligations by letting brokers offer a competitive edge through execution consulting and benchmarking capabilities.

> "The industry now has to store and process more order and transaction data than ever before."
>
> James Blackburn, director of product marketing, software-as-a-service, Fidessa

Equiduct tips EuroCCP for interoperability

Pan-European cash equities clearing house EuroCCP has been selected by Equiduct to provide interoperable central counterparty (CCP) clearing.

The pan-European trading platform operated by regulated market Börse Berlin presently uses incumbent CCPs in the markets in which it operates, but EuroCCP will now offer interoperable CCP clearing with incumbents in these markets. Where interoperability with the incumbent CCP is not yet possible, a "preferred" clearing model will be used.

The first phase of interoperable clearing will start in July 2012.

Buy-side traders left in the dark

Research reveals venue selection habits

Two-fifths of buy-siders don't bother to specify which dark pools they want to access, according to new research from TradeTech Pulse, an independent research services group from TradeTech.

In a survey of 70 heads of trading at asset managers, 41% said they did not specify dark venues either through their own order routing capabilities or their broker.

"Only 35% of asset managers interviewed actually specified which pools they wanted access to when dealing via a broker and only 29% specified which pools they did not want access to," the research read.

Asset managers were also asked if they thought they had enough information about the different types of dark pools in which they are trading.

The research found buy-siders felt most comfortable with information levels from agency dark pools such as Liquidnet and ITG and the least comfortable about exchange-owned dark pools.

"We'd like to do a beauty parade of dark pools by really closely analysing the venues but although we are close now to having enough data it is difficult to draw meaningful conclusions," said Paul Squires, head of trading at AXA Investment Managers, who was interviewed for the research.

Brazil absorbs international electronic trading solutions

Networking and order management systems enter market

Thomson Reuters has launched its Elektron hosting and managed services network in Brazil, aiming to provide trading firms with cost effective, low-latency access to the real-time data required to fuel algorithmic and high-frequency trading strategies in Brazil.

Based in São Paulo, the Elektron data solution provides high-speed connectivity, market pricing, US-traded American Depository Receipts and CME futures data for Brazil's BM&F Bovespa exchange. By accessing the Elektron services, local firms can consume local and global real-time data from some 350 venues and hundreds of OTC market contributors.

Meanwhile, trading technology provider TradingScreen has launched TradePlus, its order management system for the sell-side in Brazil, which integrates all trading infrastructure required by broker-dealers through a software as a service model.

TradePlus is integrated into the firm's TradeSmart execution management system for the buy-side, allowing better communication between brokers and clients. TradingScreen's clients will also benefit from an exchange co-located in a local data centre and an office in Brazil to ensure low-latency.

TIME OFF in London

CLUBS

VIA Canary Wharf

2 The Port House Building, Hertsmere Road

Tel: 0871 971 5240

This bar is spread over three floors and is a great place to start your weekend on a Thursday in the Dungeon club, which stays open until 1am with the resident DJ. Listen to everything from old classics, through the 80s to the most recent releases.

On Saturdays, up and coming live bands are showcased from 8-10pm. Tickets are £3 at the door.

Nearest station is Canary Wharf tube.

Gramaphone

60-62 Commercial Street

Tel: 0207 377 5332

This is a bar, restaurant and lounge, split over two floors with small stages on the lower floor, offering a variety of entertainment throughout the week. Live comedy is available on Tuesdays while DJs and other music events happen on other nights. A huge range of musical tastes is catered for here, from blues to reggae, acid jazz, funk, hip hop and electronica. Friday nights are a regular guest DJ night.

Nearest tube is Aldgate East, about 4 minutes' walk away.

Vibe Bar

91-95 Brick Lane

Tel: 0207 247 3479

Opened in 1995, this was one of the first bars in the Shoreditch and Brick Lane area. You can drink cocktails and lounge about, or try some barbecue on the outside patio.

There is a rotation of DJs playing reggae, funk and hip hop until the wee small hours, while the bar also welcomes a varied mix of performers, live music and DJs, in particular new talent from the local area. It also hosts an outdoor live stage annually as part of the Brick Lane festival in September, an event which attracts over 50,000 people.

Nearest tube station is Shoreditch, about 2 minutes' walk away.

PUBS

Wibbley Wobbley

Greenland Dock, off Rope Street

Tel: 0207 232 2320

This is a drinking den not to be missed! Housed on a boat, you have to descend the gangplank into the cosy, nautical-themed bar with its stove to warm you while you drink. If the weather is good, you can spend time up on the adjoining deck admiring the riverside views from your watery perch.

Canada Water tube station is 17 minutes' walk from this quirky little pub.

Davy's Wine Bar

31 Fisherman's Walk

Tel: 0207 363 6633

Open from Monday to Friday, this bar is perfect for those wanting to have a drink outside looking out over the river (weather permitting of course!) When the weather is not so kind, the inside of the bar has an old-fashioned but contemporary feel to it, with candles everywhere and sawdust on the floor. Try one of the vintage ports on offer, or have a meal from the Grill Dining Room up until 3pm.

Nearest tube station is Canary Wharf, about 3 minutes' walk away.

Prospect of Whitby

57 Wapping Wall

Tel: 0207 481 1095

One of the oldest pubs in London, and specifically the oldest riverside pub in London, this was once known as the 'Devil's Tavern', a title earned by its allegedly delinquent clientele. It was built in 1520, survived the Great Fire but was then completely refurbished in the 18th century after a fire.

The interior is dark and atmospheric, with maritime remnants adorning the space, while the outside terrace with its views of the Thames and the Isle of Dogs displays a noose that serves to fuel the rumours of its infamous past.

Nearest tube station is Wapping, about 3 minutes' walk away.

RESTAURANTS

Byblos Harbour

The Waterfront, 41 Millharbour

Tel: 0207 538 4882

This is the place to eat if you enjoy Lebanese food, or fancy trying it. To start your meal, try falafel (deep fried patties of crushed chick peas and fava beans with spices), mouhamara (crushed walnuts, pistachios and whole pinolli blended with mild chilli and pomegranate) or a traditional Lebanese favourite of hummus topped with pan fried diced lamb with pine nuts.

Main dishes include fish dishes, chicken or lamb stews marinated in chilli, tomato and onion sauce, roast lamb shank served with rice, or a vegetarian dish of aubergine cubes infused with tomato, onion, chickpeas and sweet pepper served with rice.

If you have room for dessert, try the chocolate truffle with raspberry coulis, passion fruit soufflé, a selection of fresh fruits or ice creams or the traditional end to a Lebanese meal with baklawa, a selection of miniature traditional pastries filled with nuts and syrup.

Nearest stations are Crossharbour and South Quay.

Plateau

4th Floor Canada Place, Canada Square

Tel: 0207 715 7100

There are two dining areas in this establishment. The Restaurant offers contemporary French food and the Bar & Grill serves more informal dishes in a relaxed setting. Both offer dramatic views over Canada Square.

In the Restaurant, try winter vegetable salad, butternut squash, pumpkin seeds and French dressing to start, or hand rolled Rosary goats cheese with baked baby beetroots and puree. Main dishes include baked ½ lobster served with pommes frites and garlic butter, honey spiced Goosnargh duck with braised endive and port marinated radish and slow braised cod cheeks with piquillo peppers and chorizo sausage.

Desserts include organic lemon posset with Kalamansi (citrus fruit) crush and jelly, crème brulee with apricot sorbet and pistachio biscotti and iles flottantes with pink praline and crème Anglaise.

The Bar & Grill dinner menu will offer you lightly curried parsnip soup with golden sultanas to start, or lemon cured salmon with crème fraiche and capers. The main dishes include a spiced pig burger served with smoked bacon and French fries and a variety of different steaks all cooked just the way you like them, served with French fries and a choice of sauces.

You may be tempted by rum baba for dessert, served with Chantilly cream, or set buttermilk mousse with blood orange or a selection of house made ice cream and sorbets.

Nearest Tube is Canary Wharf.

The Lotus Chinese Floating Restaurant

9 Oakland Quay, Inner Millwall Dock

Tel: 0207 515 6445

The food in this huge floating barge has influences from the Szechuan, Canton and Peking provinces, and offers separate menus for dim sum, a la carte and a set menu.

Some reviewers describe the Lotus as serving the best Chinese and Asian food in the Docklands, particularly the dim sum. The bean curd prawn rolls are a favourite, along with the scallop dumpling and the hot chicken soup.

Nearest tube station is Leyton, about 0.8km away.

Published by THE TRADE
WORKING FOR THE BUY-SIDE

www.thetradenews.com
Publisher: John Lee +44 (0) 20 7397 3823 john.lee@thetrade.ltd.uk Editor: Chris Hall +44 (0) 20 7397 3819 chris.hall@thetrade.ltd.uk
Editorial team: Bruce Love +44 (0) 20 7397 3818 bruce.love@thetrade.ltd.uk, Anish Puaar +44 (0) 20 7397 3817 anish.puaar@thetrade.ltd.uk, Elloitt Holley +44 (0) 20 7397 3820 elliott.holley@thetrade.ltd.uk
Advertising & Marketing: Françoise César +44 (0) 20 7397 3821 francoise@thetrade.ltd.uk, Marika Cooper +44 (0) 20 7397 3822 marika.cooper@thetrade.ltd.uk
Graphic Design: Tina Eldred +44 (0) 7540 972 442 tina@eldreddesign.co.uk
The Trade Ltd, Upper Ground Floor South, 200 Aldersgate Street, London EC1A 4HD