



## **Banks in link to let each other's clients dip into liquidity pools**

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Stock traders seek edge in increasing rivalry.

Goldman Sachs, Morgan Stanley and UBS are to link their private stock trading operations to improve liquidity and better compete with the increasing number of alternative exchanges.

The move, to be announced today, will give clients of each bank access to the other's so-called dark liquidity pools - the private interbank or intrabank platforms widely used to trade stocks away from exchanges.

The pools are used by clients such as hedge funds to buy and sell large blocks of shares in anonymity and without the danger of moving the public price of a stock on an exchange.

The development of dark pools is considered a potential threat to established exchanges. Some analysts suggest the various pool providers could eventually join together, combining their individual ones and then applying for exchange status.

Today's move stops short of combining the banks' respective dark pools. "These are access arrangements," said Will Sterling, managing director of UBS's electronic trading. "These agreements should offer clients access to additional high-quality liquidity without making their trading process more complex."

The arrangements, which apply at present only to the US, will allow algorithmic trading orders received by each firm to be processed by three of the largest broker-dealer-operated dark liquidity pools in the US: the Goldman Sachs Sigma X, the Morgan Stanley MS Pool and the UBS PIN Alternative Trading System.

"We're confident that providing our respective clients access to each other's liquidity will achieve even better crossing results for our clients in an increasingly fragmented market," said Greg Tusar, managing director of Goldman Sachs's electronic trading.

Several other brokers in the US operate dark pools. Mr Tusar said the agreement between the three banks was reached after discussions revealed a vision for their trading businesses' development.

"This is a natural evolution," said Andrew Silverman, managing director of Morgan Stanley's electronic trading. "These arrangements will -enable us to work with trusted industry participants to deliver the same level of confidentiality our clients have come to expect."

Consolidation in the exchange sector in recent years has been driven at least in part by a desire to establish the broadest and deepest pools of public liquidity.