

Morgan Stanley launches single link to dark and light pools

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Broker-dealers have begun to offer combined access to liquidity in public markets and undisplayed venues, also known as dark pools.

Dark venues are popular because they provide participants with anonymous, electronic sites where they can match orders to large blocks of trades without impacting the market.

Joining the trend to blend, Morgan Stanley's electronic trading group has launched its NightOwl electronic tool as part of its Passport workstation software for buy-side clients, said Andrew Silverman, managing director, Morgan Stanley Electronic Trading.

Silverman said NightOwl has been crafted, in part, to exploit the recently announced access arrangement that links the dark pools of Morgan Stanley, Goldman Sachs and UBS.

Silverman said NightOwl will provide electronic access to dark and light liquid-

ity pools either as a direct trading destination or via Morgan's formula-based automated trading, known as algorithmic execution. "We're embedding the functionality of NightOwl into our algorithms," he added.

Algorithmic trading is electronic trading guided by formulas written to find the best venues for execution at speeds that surpass the capabilities of human traders. The bank's algorithms are available via its Benchmark Execution Strategies offerings.

To minimise trading information leakage, Morgan Stanley said NightOwl will not connect to dark pools that allow indications of interest, which are messages of investors' purchasing preferences for a security issue before it has come to market.

Other brokers are accommodating the demand for blended access to dark and light pools.

While agency broker BNY ConverEx Group has dark pools in mind with its new

"Dark Desk" trading desk for the buy side, its dark traders will work "hand in hand" with sales traders, said Carey Pack, chief executive for BNY ConverEx Execution Solutions. The Dark Desk traders will also turn to light pools if the situation calls for it to find better execution opportunities, he said.

In a related move, Cr dit Agricole Cheuvreux North America last week announced that its CrossFire algorithm will now sweep the VortEx dark pool of BNY ConverEx. Ian Peacock, chief executive of CA Cheuvreux North America, said CrossFire can now link to 14 dark pools.

For light pools, the broker offers its Pounce algorithm for trading across dark and light venues.

Peacock said blending liquidity access is not the end game. "We see the trend as not only accessing dark and light venues but also customising the way in which the algorithms interact on a client-by-client basis."