Transforming Japan's Trading Landscape

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Introduction

The word ‘transformation’ is often over-used in finance but it does apply to Japan. Not only are the country’s stock prices and bond yields going through the roof, but so are trading volumes, which reached record highs in October. The retail percentage of equity trading volume also hit an all-time high the same month. Last but not least, the electronic trading of Japanese government bonds is also at record levels.

Behind these numbers are deep changes, as global players take a renewed interest in what was for years an insular, stagnant market. Meanwhile, Japanese firms are updating their technology and thinking about reforms in market structure.

Global Trading was lucky enough to attend the FIX Japan Electronic Trading conference in Tokyo in October, and this report is the outcome of the many meetings and interviews that took place. Huge thanks are due to regional committee co-chair Hiroshi Matsubara and his colleagues.

Nick Dunbar
Managing Editor, Global Trading

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Japanese buy-side traders seek defence against HFT

After years of stagnation, Japan's equity market is booming and alternative trading system providers are flocking in. Buy-side traders now hope that the stranglehold of HFT firms will be broken. Nick Dunbar reports.

With its first female prime minister and the stock market at a record high, Japan is attracting a new influx of domestic retail and foreign investment. But first, the country's buy-side giants want aspects of Japan's creaking markets infrastructure to be fixed.

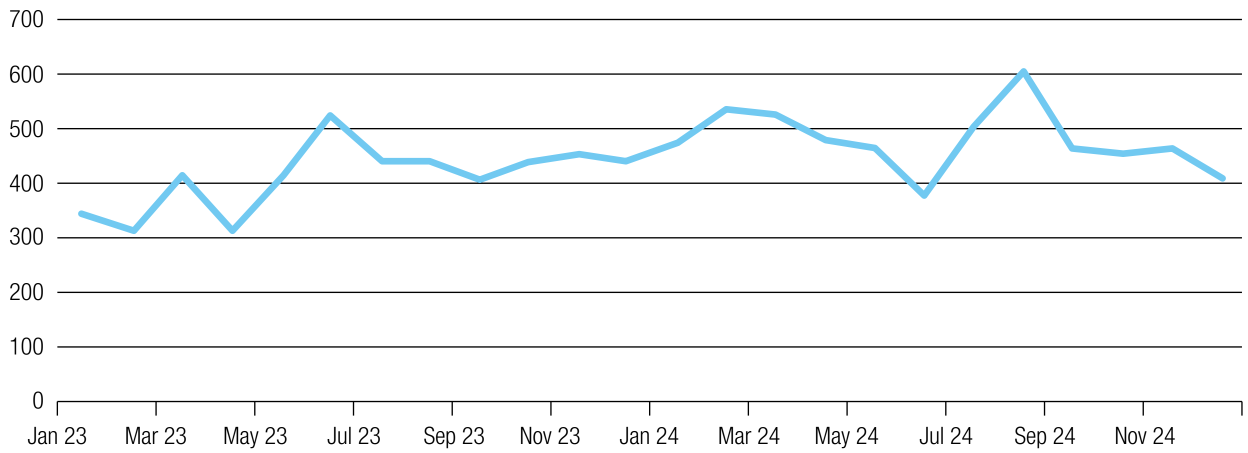
Chief bone of contention is the dominance of high-frequency traders in Japan's lit equity markets, a development encouraged by the Tokyo Stock Exchange, whose Arrowhead system allows low-latency access to its matching engine. According to the Japan Financial Services Authority (FSA), which regulates HFT firms and compiles data on their activity, HFTs accounted for 35% of TSE volume at the end of 2024. That compares to 17% on HFT-friendly Eurex, based on Global Trading analysis.

For buy-side traders who submit orders via brokers, the result is a chronic information leakage problem. "We place great importance on brokers with abundant liquidity," Kenji Takeda, head of equity trading at Nomura Asset Management told the audience at the FIX Japan Electronic Trading conference in Tokyo on 8 October.

"However, I think that the key factor behind this is how to prevent prices from fluctuating, so I think that a clean flow is an absolute requirement. However, when it comes to Japanese stocks, there is a lot of HFT and it is a market that is prone to gaming, so I feel that this is an important point."

This perception about HFT is shared by non-domestic buyside firms that trade Japanese stocks. "When I execute this alongside other Asian stocks, I feel that it is very difficult to ensure liquidity in the Japanese market," said Ako Nishi, a trader at JP Morgan Asset Management based in Hong Kong. "One factor is the high market share of HFT. In terms of ensuring liquidity, I think it is very difficult to interact with."

Fig 1: Trading value of high-speed trades ($bn)



Source: Japanese FSA

Ako Nishi, Executive Director, Central Dealing, J.P. Morgan Asset Management (Asia Pacific)

These difficulties often lead Japanese buy-side equity traders to explore non-order based liquidity such as indications of interest (IOIs). Yet here too, problems with information leakage are rife. “When we send IOIs, the market moves, which is very strange,” one trader told Global Trading. According to Nomura Asset Management’s Takeda: “I feel that IOI has become much more transparent than it was in the past, but at the same time, I still feel like some parts of it are fake.”

Acknowledged as having a more systematic approach than domestic buy-side firms, JP Morgan Asset Management’s Nishi told the FIX Japan conference that her firm quantified broker liquidity using data such as past reverse IOI hit rates. “All transactions, including IOI crosses, are incorporated into our broker evaluations, enabling us to analyse the impact of each trade on overall performance,” Nishi said.

New solutions coming to Japan

But improved analytics won’t solve a problem that is endemic to Japan’s trading venues, according to former BlackRock senior trader Junya Umeno, who recently was appointed CEO of OneChronos Japan. “The challenge for buy-side traders is that all the existing trading venues are based on price-time priority,” he told Global Trading. “That means first come, first serve. So buy-side traders don’t always have the budget to invest in their trading infrastructure, while algorithmic traders are investing a lot.”

Now, a new game is coming to Japan in the form of US-style Alternative Trading Systems (ATSs), that include Intelligent Cross parent company Imperative Execution, which is acting as a fintech in Japan, as well as OneChronos. Umeno explained what his firm was offering. “By conducting randomised periodic auctions roughly 10 times a second, we can remove the time factor from matching mechanisms as well. By doing that, the playing field is levelled for all participants, fast or slow,” he said. “OneChronos is addressing the specific needs for large institutional traders that have a goal to minimise information leakage.”

Conditional order matching is also growing in Japanese equity markets, though still far less prevalent than in Europe and the US. According to Umeno, “We support conditional orders, which allow participants to express intent to trade under defined conditions. Once those conditions are met, the order becomes firm – a transparent and efficient alternative to traditional IOIs.”

Meanwhile, the country’s markets regulator is moving to rein in the HFTs, and poor sell-side practices by imposing much larger penalties, with the Japanese Securities and Exchange Surveillance Commission (SESC), a division of the FSA, proposing changes in June 2025 according to its website.

A source familiar with the SESC said, “We would like to strengthen deterrence against unfair trading using accounts in other people’s names, raise the level of the surcharge for submitting large-scale holding reports, and, as cases of unfair trading involving HFT have also emerged, establish a method for calculating surcharges that corresponds to these new forms of trading.” ■

Junya Umeno, Head of Japan for OneChronos

Leading Japan's trading transformation

After years of stagnation and insularity, Japan's buy side is now catching up fast. At Nomura Asset Management, Mai Tanaka and her team are helping to drive the country's trading transformation. By Nick Dunbar.

Mai Tanaka, Global Head of Trading, Nomura Asset Management

To encounter Mai Tanaka at the FIX Japan Electronic Trading Conference in Tokyo in October is like watching a celebrity in their element. The crowds part, heads turn and the audience of brokers, vendors and venue executives hang on her every word. And so they should: As global head of trading at Nomura Asset Management, Tanaka makes the ultimate procurement decisions for broker commissions, venue choices and trading systems across the company's $664 billion portfolio.

Tanaka's role is even more important in the context of current developments in Japan. This is a country where until last year, the Japanese Financial Services Authority required paper records of trade orders, and buy-side firms still communicate by fax.

After years of financial sector insularity and stagnation, Japan is going through one of its habitual episodes of rapid reform and openness to foreign ideas – in particular, electronic trading. Tanaka has made her commitment to that process clear by taking on the role of regional co-chair at FIX Trading Community, an organisation whose purpose is to develop electronic messaging protocols.

Tanaka's path to the top was not obvious at first, when she started her career as an FX trader at a succession of domestic Japanese firms. But things took off when she joined Nomura's buy-side operation, and began to gain a far broader range of experience. "At Nomura, I began trading FX, foreign bonds and futures and subsequently worked across a wide range of products, including short-term money market products, repo and securities lending, and Japanese equities."

But it was a stint in London that gave Tanaka the crucial knowledge that prepared her for Nomura's top buy-side trading role. "I later served as a country manager in the UK desks and UK trading team, and returned to Tokyo to take up my current role in 2023," she told Global Trading.

From the outside, Nomura Asset Management appears complex. There are about 700 Nomura AM mutual funds with $400 billion total AUM, ranging from Nomura's flagship $90 billion Nikkei ETF to dozens of smaller funds. Less visible are about $260 billion of pension fund assets not listed as mutual funds.

With such complexity, it is no surprise that Tanaka needs an over 30-strong trading team. "In Tokyo, the team is split into two execution teams on the equity side and the fixed income side," she explains. "Each team is then divided by product, related to listed trading and the OTC trading."

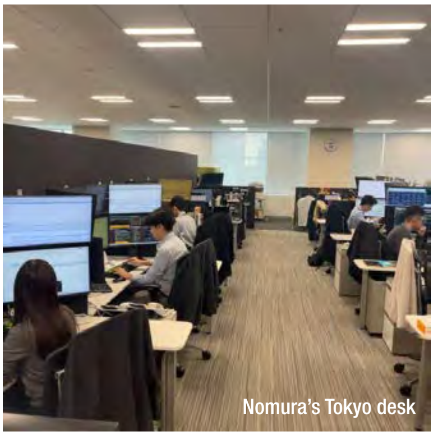
Overseas, Nomura Asset Management has a leaner trading footprint. "We have a UK, Singapore, Malaysia, Hong Kong and Shanghai trading office," Tanaka notes. As for the US, Nomura AM has no trading presence there at all.

The need to communicate

When compared with Nomura AM's global army of portfolio managers, analysts, back-office staff and salespeople, Tanaka's team appears small, but she has to communicate with them all. "We work closely with portfolio managers on a day-to-day basis, and also liaise with the post trading team, and we also have a regular interaction with sales team and the client relationship and client reporting teams," she explains.

Part of Nomura AM's complexity is the diversity of trading styles and wrappers, but the traders have to handle all of it, according to Tanaka. "We have both active and passive portfolios across equities and fixed income," she says. "ETFs are also a key area of focus for us and each market links its own execution constellation."

There are ample opportunities for career development with such a portfolio, Tanaka adds, while her firm's strategic priority to grow fees helps this process. "Our traders benefit from exposure to flow across the whole spectrum, which is an excellent experience for us. The passive side is bigger than the active side, but we encourage to get the new flow to the active side. This is our purpose."


Nomura's Tokyo desk

A time-honoured question for buy-side traders is the allocation of trading alpha to traders versus portfolio managers. Nomura AM offers alpha opportunities to traders, without emphasising it too much. As Tanaka puts it, "We don't carry a specific numeric, P&L target for trading alpha," she says. "But everyone understands that generating trading alpha is part of the traders remit, so we monitor it continuously and also feedback execution results to PMs on a daily basis, and over defined peers as well."

But first, the alpha has to be measured, and Tanaka explains how the challenges vary across asset classes. "I think Japanese equity is where we have greatest frequency of our trading," she says. "For Japanese equities, it's easier to see the alpha against the VWAP basis, or the benchmark basis, so the active equity portfolio manager gives some discretion to us in using the block trade, or which venues we use, or which brokers we use."

Achieving this precision involves vendor tools, and Tanaka's colleague Kenji Takeda, who runs equity trading within her team, provides more colour. For pre- and post-trade analytics, Nomura AM uses Bloomberg TCA (BTCA), while for passive execution, the firm uses Quick, a domestic vendor whose platform is widely used by the Japanese buy side for pre-trade analysis of principal flow for their passive funds.

Broker relationships

When it comes to brokers, on the equity side, Tanaka's job is complicated by the fact that she has to operate both within multiple regulatory regimes. "Our key regulatory constraint is that we have to comply with MiFID 2, because we have investors from overseas," she explains. "We have clients in Europe, and the UK, where unbundling remains a requirement under MiFID 2. But broker services in Japan are typically bundled, so reconciling this regulatory difference to meet client requests has been a real headache for us."

When asked about the top brokers she uses, Tanaka reveals that sophisticated global banks are wooing Japan's buyside with algos. "It's difficult to single out brokers, but for Japanese equities, global financial institutions have invested heavily in algo development and those undoubtedly are influential in Japanese equity markets and among the domestic security firms, including our group."

Tanaka credits corporate sibling Nomura Securities for competing in this algo arms race. "They are serious about securing an edge in their own exchange market. This is Japan, their own mother market, and are putting their capital into algo development too." For the rest of Japan's sell side, Tanaka has a diplomatic message. "We want domestic brokers to thrive, so we will continue to provide constructive feedback and support to the domestic securities firms," she says.

One problem faced by Japanese buy-side investors is the gaming risk arising from thin liquidity on lit market, which is attributable to the high participation rate of HFT firms.

Tanaka says that Nomura AM is starting to turn to newer electronic liquidity providers to mitigate the problem. "We use the liquidity providers as well. And I think their liquidity is a good solution to minimise the execution cost. So we seek their liquidity. They actually have a strength in bilateral trades.

"It depends on the portfolio manager's instructions, but while we mainly use the algos, sometimes we use bilateral trades for block trading. And we find that bilateral matching trades are often even more effective for reducing costs, a block trade is the best way to reduce the cost."

Japan's fixed income upgrade

For fixed income, Tanaka's experience in London provided insights she is now deploying in her home market. "From my time in the UK, the most notable difference was the depth of the credit market, and Japan's bond market has only recently begun to attract more foreign investor flow following the BOJ move from negative interest rates to the positive one," she says. "But even in Japanese Government Bonds (JGBs) the dominant participants remain domestic investors, and the domestic bias is even stronger in the Japanese credit market."

Tanaka believes that a combination of reform and improved technology will help Japan's bond markets catch up. "The UK credit market I worked in is considerably deeper and with many more participants and a much larger universe of issuers," she notes. "I believe that electronic trading is essential to capture broader investors flow, and that development of the repo market is also an important enabler for the credit market."

Some factors are out of her control, she admits. "However, many Japanese corporates are cash rich and have little need to fundraise by issuing bonds, and investors often tend to buy and hold credit," she points out. "These structural features mean change will take time."

But before electronic trading in bonds can happen, Tanaka knows that she needs to measure the trading outcome, which is a tough problem. "For FX and fixed income, it's so challenging to calculate the execution cost and alpha," she says, with a sense of exasperation.

"For bonds, we perform the post trade analysis, but we are still exploring the best way to carry it out on the bond side, because it's so difficult, it's so challenging for us to see that. First, what is the fair price at the moment? What is the cost?"

From the perspective of vendors, Nomura AM is a huge opportunity because Tanaka is still making up her mind about who to work with in fixed income. "It's challenging because we are still checking, not only big vendors, but also the TCA specific ones. They have a specific expertise in the TCA and have lots of strategies, so which is the best one? We are checking and hearing the details of these companies."

This need for diligence is frustrating because electronic bond trading is already growing fast in Japan. "In bonds at this time, the electronic trading volume is higher than ever," she explains. "Around 40% of the trading volumes is electronic. So that market is changing, we are still using voice trading for some big government bond trades."

In terms of bond platforms, a Godzilla versus King Kong type battle is already shaping up between domestic incumbent Yensai, owned by a consortium of domestic securities firms, and outside upstart Tradeweb, a battle that Tanaka is watching closely from the sidelines. "Tradeweb are chasing JGB volumes at Yensai, to win flow by offering a platform to global clients," she says.

The missing Japanese consolidated tape

Meanwhile, Tanaka is also paying close attention to changes in Japan's equity markets, where the Topix index recently hit an all-time high. "In Japanese equity markets, the Tokyo stock exchange (TSE) is driving market reform, and I believe those efforts are one of the reasons that overseas investors are coming into the Japanese equity market recently," she says. "They also introduced the auction mechanism to the TSE last year, and I expect further measures will be considered."

Unlike electronic trading in bonds, for Japanese equities electronic trading has brought in high-frequency trading firms that are blamed for market impact problems by the buy side. With HFTs watching their every move, market participants are reluctant to provide liquidity. "In equities, the liquidity and the depth of the market are different from the other developed countries, the Japanese market has less liquidity and the depth of the market. So we want to see more inflows from the much larger universe of the world. We'd like to see a consolidated tape here. That transparency is the one of the best solutions to the participant." ■

Human battles machine in JGB market

Participants say electronic trading of Japanese government bonds has reached an inflection point, but others counter that the death of voice trading has been overexaggerated. By Nick Dunbar

If there is one area where changes in Japan's financial markets are likely to be consequential, it is the government bond market. The country is an outlier among developed nations, with a debt-to-GDP ratio of 230%, which would be devastating for most economies but has long elicited a shrug when it comes to Japan. With JGB yields close to zero, the interest burden was easily manageable, and most investors were domestic, reducing the risk of capital flight.

Now, these time-honoured truisms are going out of the window. Inflation is up, the yen has weakened to a near-record low against the dollar and JGB yields recently hit a 17-year high. The Bank of Japan has reversed its long-standing quantitative easing policy and its holdings of JGBs are falling at a rapid pace. With the country's first female prime minister Sanae Takaichi announcing stimulus measures, foreign investors are entering the market, attracted by the competitive yields.

This internationalisation of JGBs is shaking up what used to be a sleepy trading community in Japan. At Sumitomo Mitsui (SuMi) Trust Asset Management, which has $633 billion under management, trading group manager Yasunori Ejiri told Global Trading, "I don't think there is

Fig 1: JGB yield vs Bank of Japan JGB holdings

> "I don't think there is any fundamental difference between Japanese and international bond trading but I do think that the long period of zero interest rates due to the Bank of Japan's monetary policy created a closed environment for bond trading."
>
> ***Yasunori Ejiri***
> Sumitomo Mitsui (SuMi) Trust Asset Management

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Those days are now over, according to Toshifumi Niwa, head trader at Nissay Asset Management Corporation, which manages $272 billion, including active bond mandates for Japan's $1.5 trillion Government Pension Investment Fund (GPIF). "Electronic trading systems have become essential for the buy side of the current JGB market," he said. "On a ticket-based basis, approximately 80% of our JGB trading is executed electronically."

Ejiri offers similar statistics. "According to our most recent data, electronic trading of JGBs has increased to approximately 90% in terms of notional volume and 60-70% in terms of transaction volume."

This electronification hasn't come from nowhere. According to figures from one trading platform, $95 billion of JGBs are traded electronically every month, up from $20 billion per month in 2020. However, this is still a small fraction of the $1.6 trillion of JGBs traded over-the-counter each month, according to data from the Japan Securities Dealers Association.

Buyside traders in Japan talk about the user-friendliness of going electronic, noting that the surge in remote working during the 2020-21 Covid pandemic prompted many to begin screen trading for the first time. Rather than use Yensai.com, the domestic Japanese JGB platform which Niwa describes as 'less user-friendly', traders opted to use Tradeweb.

"Since the Covid-19 pandemic, I believe that the progress made in digitisation has been largely due to the fact that traders in particular are now able to use user-friendly systems," according to Niwa. "For example, if you have experience trading foreign bonds and have used Tradeweb, you will be able to trade JGBs smoothly."

Another driver of electronification has been increased use of interest rate derivatives, Niwa explains. "For companies like ours that trade a lot of over-the-counter derivatives, mainly interest rate swaps, we feel that being able to trade on the same screen as JGB is a huge advantage."

With the record highs in JGB yields, buyside firms are racing to add swaps to juice returns on low-yielding legacy portfolios, said SuMi Trust AM's Ejiri.

"Swaps are increasingly being positioned as a

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>
> ***Toshifumi Niwa***
> Nissay Asset Management

source of return rather than a hedging tool, and the swap market is growing alongside the advancement of electronic trading," he said. "Unfortunately, our company has been slow to adopt asset swaps and we would like to catch up in the future."

Meanwhile, sell-side firms in Japan also note the benefits of electronic trading. According to Ejiri, the 'big five' securities companies that dominate market making for bonds are Nomura Securities, Daiwa Securities, SMBC Nikko Securities, Mitsubishi UFJ Morgan Stanley Securities and Mizuho Securities.

At the last-named firm, head of macro trading Takashi Kitsukawa shares his experiences. "For us, electronic trading has been growing rapidly over the last 5-6 years. First, e-commerce sales are supporting electronic trading. Customers can execute transactions smoothly. From an IT perspective, we are placing the IT development team on the trading floor. In this way, awareness has increased significantly.

"In terms of operational costs, JGBs include a large universe of bonds, so when it comes to inquiries such as executing many bonds at once, electronic trading is clearly more advantageous. It doesn't require any trader's help. This is extremely good for us. Then, if the risk amount or size is to a certain extent, then pricing using algorithms is the way to go. Or auto-hedging using futures will become effective.

"Finally, information is the biggest benefit. Our systems can accumulate transaction data, analyse it, and utilise it. This includes data on transactions that did not result in a trade or market."

Risks of going electronic

Yet for all the advantages of electronic trading, as soon as participants plug themselves into it, they encounter a new world that moves at breakneck speed. As Nissay AM's Niwa puts it, "From the buy side perspective, one of the risks of electronic trading is the increased speed. At the moment, I think this has both positive and negative aspects."

This speed makes electronic trading something of a self-fulfilling prophecy – if electronic trading is risky, it might be even riskier not to trade electronically when markets move fast, as Niwa puts it. "In the JGB market today, the speed from the start of an inquiry to a deal has improved, and there are more and more cases where companies choose to trade electronically in order to shorten the time their orders are exposed to the market."

“In the spot interdealer market, order book formation continues to be mostly done through manual input, and even from the buy side, we can see situations where order book formation in the spot interdealer market is not keeping up with price fluctuations in futures. In other words, the higher the volatility, the more likely the price will disappear. Therefore, voice transactions, which take time, carry increased risk.” In this environment, “electronic trading has become indispensable,” Niwa explains, as he outlines all the steps needed for a voice trade.

“When conducting voice trading, we output text from our internal system to be pasted into Bloomberg Chat. We copy it, select the chat room of the person we want to contact, paste it, and then make the inquiry. The sell-side salesperson then takes a picture of the price and types it into the chat room. We traders then visually determine the best price and communicate our desire to execute via electronic phone or chat.”

This manual procedure wastes precious time, Niwa points out. “While we are carrying out this type of work and communicating, the market is constantly moving, and we often find ourselves in situations where, when we want to execute a transaction, the price we want to trade at is no longer available.”

In Niwa’s view, this is because equity-like behaviour from HFT-riddled futures markets affects bonds too. “We believe that one of the reasons for the increased speed of electronic trading is the influence of the JGB futures market,” he says. “The futures market is becoming increasingly electronic in a manner similar to that of the stock market, and we believe that many market participants are trading using direct market access (DMA) trading, or so-called algorithmic trading. When futures prices move, it affects the spot market price.”

On the sell-side, Mizuho’s Kitsukawa also sees this self-fulfilling prophecy at work. “As electronic trading advances, market transparency increases. However, as a side effect, when a large transaction goes through the market, the information spreads to the market in an instant. As a result, price movements lead to more price movements.”

And electronic market makers are unwilling to absorb these endogenous shocks, he says. “The sell-side’s discretion and risk-taking power are what normally absorbs the flow. I think this is declining a bit. If the spread between offer and bid is unstable, then trading volume will be unstable. I think we need to recognise that the behaviour of the sell-side is undergoing structural changes, which in turn is affecting price movements, as one of the risks of electronic trading.”

The persistence of voice trading

Amid such concerns, practitioners argue that voice trading still remains essential. For a start, there are plenty of buyside use cases that can’t be handled, either by the electronic trading platform or the user's order management system.

"For transactions that are not supported by electronic trading, the only option is obviously voice trading," Niwa says. "In addition to methods that are not supported by the electronic trading platform, voice trading is also an option for methods that are not supported by the order management system (OMS) that we use."

"This situation occurs when transactions that involve multiple sets of bonds, such as basket trading in which multiple bonds are traded on an all-or-nothing basis," he explains. "Additionally, even if electronic trading is possible, there are cases where people choose to trade by voice. These include transactions that are large in size, such as 10 billion or 20 billion yen, and are likely to have a market impact."

Another situation that justifies voice trading is where buyside traders are part of a three-way conversation involving the sell side and portfolio managers. "In many cases, buying and selling is carried out through communication with the dealer's sales staff and then with the fund manager within the company based on the price presented," Niwa says. "The disadvantage of electronic trading is that all parties to an inquiry must be decided at the time of initiating the inquiry, which means that it is difficult to add parties to increase the price midway. As a result, once all price offers are in place, it is necessary to immediately decide whether or not to execute the transaction."

From the sell side, Mizuho's Kitsukawa points out that there are a swathe of buyside firms that are natural users of voice trading as the BOJ reduces its gargantuan portfolio. "Bank deposits have an enormous presence, and I believe this is a unique feature of the Japanese market that is not found in Western markets," he says. "That is why I think that domestic banks are considered the most likely entities to replace the Bank of Japan as the main owners of JGBs. As a result, banks now have an extremely large presence in the secondary market, and price formation in the JGB market."

"Because of their large presence, even adjusting their positions can have a significant impact on the market," Kitsukawa continues. "Rather than focusing on speed of execution, we need to ensure solid liquidity and execute transactions steadily. This has to be a priority, so we need voice dealers who can handle large-scale transactions."

And Kitsukawa is clear about what the sell-side requirements are – the kind of hefty balance sheet and proprietary acumen that electronic trading has placed under threat. "What is required is the ability to handle large tickets while minimising the impact on the market, which means the courage to withstand short-term market fluctuations, the ability to determine whether a price is a temporary distortion or fair value, and the franchise or drive to find the opposite flow that will offset the risk."

Improving technology and hiring talent

One thing that both buyside and sell-side agree on is the need for people. "The spread of electronic trading has not only brought about changes in trading methods, but also it is changing the type of personnel the market is looking for," says Nissay AM's Niwa. "In addition to intuitive skills such as experience and intuition, as in the past, the ability to make decisions based on data, such as algorithms and quantitative analysis, is becoming essential on both the sell-side and buy-side sides."

Mizuho's Kitsukawa explains how the sell-side JGB desk is changing. "Our trading room dealers are made up of senior voice dealers and young quantitative AI experts, which creates a barbell-like portfolio, and I hope that this extreme mix of personnel will create a good chemistry. In any case, I think it's a very welcome development that new talent has entered the JGB market."

An example of why these changes are necessary is that a new breed of traders is needed to handle tools being offered by vendors. "From the buy-side perspective, our company uses AiEX, an automatic ordering function developed by Tradeweb," notes Niwa. "The decision on whether to use AiEX is based on quantitative analysis. So, should you use voice trading, electronic trading, new execution methods such as automated ordering, or trade in combination with other products?

"Advances in technology have given us more options than ever before. In this situation, we believe that quantitative judgment will become even more important in the future, also from the perspective of accountability to final investors, and we believe that there will be a strong demand for such personnel on the buy side as well." ■

Transforming Japan's trading landscape

Taichi Shibuya, Head of Japan, Tradeweb

How is the market structure for Japanese government bond (JGB) trading divided between electronic and voice execution, and how has that mix evolved over time?

In recent years, the JGB market has undergone a meaningful shift toward electronic execution, with international and domestic investor participation increasing and supporting this transition. From 2020 to 2024, total traded volume in JGBs on the Tradeweb platform increased by around 350%, while from Q1 to Q3 2025, it increased 23% compared to Q1 to Q3 2024.

While foreign investors accounted for roughly 65% of this activity, domestic participation is also accelerating. Japanese institutions have expanded their electronic trading of JGBs on Tradeweb seven-fold since 2020, demonstrating growing adoption among both global and local market participants. This evolution has brought the market to an important inflection point for electronic trading. Based on our own estimates from conversations we've had with dealers and JSDA data, we estimate that electronic trading now accounts for between 45-50% of all JGB secondary dealer-to-client (D2C) volume – up from around 25% in 2019. In other words, the share of electronic execution has roughly doubled in six years, underscoring a notable structural shift in how JGBs are traded.

Today, electronification is strongest in the D2C segment and in more standardised JGB cash transactions, list trades, and close orders (Hikene trading). Voice and chat are typically used for larger block transactions, cross market instruments such as bond basis trades, and other bespoke trade types.

However, electronic trading is no longer limited to just low-touch trades. Clients are increasingly adopting electronic workflows for larger and more complex activity as platforms replicate, enhance and streamline traditional voice workflows. Tradeweb continues to evolve its platform offering to cater for a full spectrum of trading activity – from simple outrights to multi-line lists and asset swaps – with a view that technology amplifies, rather than replaces, the interaction clients have with dealers.

What factors are driving the current shift in trading behaviour, and how do these trends differ between domestic and international participants?

The inflection in JGB electronification reflects both macro and structural forces. The end of negative interest rates, the gradual normalisation of yields, and the Bank of Japan's slowing purchases of JGBs have created a more dynamic, two-way market environment with greater emphasis on price transparency and efficient risk transfer.

At the same time, technology, data and analytics have become central to how firms think about best execution, transparency and operational risk, with electronic trading platforms offering efficiencies across all of these areas. This has encouraged both domestic and international investors

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to adopt electronic workflows as trading volumes increase and liquidity becomes more dispersed.

International investors remain the earliest adopters of electronic trading in Japan. Many already use electronic tools when trading other government bond markets and expect consistent execution protocols, data transparency, and post-trade efficiency in JGBs.

For these participants, electronic platforms like Tradeweb's solve practical challenges such as time zone coverage and language barriers. They can access onshore liquidity during Tokyo's core hours without maintaining dedicated overnight desks or relying solely on voice coverage. As a result, offshore participants have been a major drive of electronic trading growth as they account for roughly two-thirds of JGB volume traded on Tradeweb.

Domestic institutions, while initially slower to transition, are increasingly embracing electronic execution. Rising JGB demand, a more dynamic market environment and a new generation of traders who already trade FX and equities electronically are accelerating adoption.

Domestic traded volumes have grown on Tradeweb, with their share of total JGB activity on our platform having grown from under 20% in 2020 to more than 35% today. As local institutional investors become more familiar with Request-for-Quote (RFQ), list trading, closing protocols and automation, electronic execution is becoming embedded in their day-to-day workflows.

Many buy-side firms are using Yen interest rate swaps (IRS) as an overlay alongside JGB portfolios. How do electronic platforms like Tradeweb's support this activity?

For many global macro funds and asset managers, Yen interest rate swaps are a natural overlay to JGB portfolios, allowing them to adjust duration, express curve views or hedge liabilities without materially disturbing the underlying bond holdings. Electronification makes that overlay far more scalable. Around 30-40% of D2C Yen swap activity is now traded electronically, and Tradeweb accounts for the majority of the electronic market, offering clients a familiar multi-dealer environment and a broad set of execution protocols.

A key advantage for clients is the ability to integrate JGB and IRS execution into unified electronic workflows.

Tradeweb's non-contingent asset swap functionality allows clients to execute the bond and swap legs with separate, specialised dealer sets, something that is difficult to replicate in voice markets – especially for off-the-run JGBs where pricing often resides on a separate desk. From the client's perspective, the platform recombines the best prices on each leg into a single package, improving overall economics and reducing operational friction.

Regarding clearing, Tradeweb supports trading workflows for clients clearing through JSCC, LCH, and CME. Our role is to provide flexible, compliant execution pathways across venues and clearing houses, ensuring that clients can implement their Yen overlay strategies in the way that best fits their operational and regulatory requirements. In addition to having LCH and CME access, US investors can now also use JSCC to clear Yen swaps.

While electronic JGB trading continues to grow, voice execution still remains prevalent for larger or more complex transactions, including basket trades. How are electronic trading platforms helping to electronify this market and these trading strategies?

The most complex parts of the JGB market – large blocks, cross-market trades, as well as intricate baskets – have traditionally been handled by voice, but the boundary is shifting as platforms replicate and enhance legacy workflows. Tradeweb, for example, already supports list trading for up to 60 JGB line items at once, allowing asset managers to also execute Hikene trades (trade at close orders) electronically rather than managing multiple spreadsheets and chat threads with different dealers.

Hikene workflows are also fully electronified: clients negotiate spreads on platform and orders are filled once the close price of the day is published with no manual re-keying. This eliminates manual interventions and reduces operational risk.

On the swaps side, the electronification of JGB asset swaps has been a meaningful step forward. By enabling clients to trade JGB and swap legs separately, with optimised dealer sets and straight-through processing into clearing, confirmation and risk systems, electronic platforms reduce the operational complexity that previously kept these trades in voice channels. Over time, we see similar opportunities to bring more JGB basis, futures-linked strategies and larger, more bespoke risk transfers onto electronic rails, while still giving traders the flexibility to choose the right mix of screen and voice for each situation.

> "Tools like Tradeweb's Automation Intelligent Execution (AiEX) tool helps clients scale efficiently, enabling them to manage increasing ticket volumes and complexity while maintaining high execution standards."
>
> ***Taichi Shibuya***
> Tradeweb

Firms point to solutions like Tradeweb's Automated Intelligent Execution (AiEX) tool as playing a growing role in shaping trading workflows. What advantages does automation bring to market participants?

Automation is becoming a defining feature of how firms structure their JGB and Yen swap trading. Tools like Tradeweb's AiEX helps clients scale efficiently, enabling them to manage increasing ticket volumes and complexity while maintaining high execution standards. AiEX allows clients to encode execution parameters – such as counterparty selection, quote thresholds, price tolerances, and timing – so these can be applied consistently and transparently across trades.

In Japan, AiEX's Time Release functionality has been particularly impactful. Given that Yen rates liquidity is concentrated between 8:45am and 15:02pm Tokyo time, international investors historically faced a trade-off between sub-optimal execution or maintaining overnight trading coverage. Time Release allows trades to be scheduled during Tokyo hours, while maintaining the transparency and control of electronic RFQs, effectively solving a longstanding operational challenge.

Beyond execution quality, automation strengthens operational resilience. Seamless integration with Order Management System (OMS)/Exchange Management System (EMS) platforms, clearing houses and confirmation systems supports straight-through processing, auditability and regulatory compliance. As Japan's fixed income markets become more data-driven and cross-border, these automation tools help both domestic and international investors modernise their workflows and enhance their ability to trade efficiently and consistently. ■

Surfing Japan's equity trading boom

Japan's buyside giants are learning to use algos for equity execution but amid information leakage and HFT concerns, the path to adopting the new technology remains unclear

Japanese equity markets are on a roll. Volumes on the Tokyo Stock Exchange and JapanNext, the two main cash markets, are at all-time highs, as well as the index itself. Retail trading as a percentage of the total daily volume reached 31.5% in November according to TSE data.

Dealing with this increased flow are two kinds of buyside firms: big international asset management companies like BlackRock or JP Morgan AM, and Japanese domestic firms, such as the asset management arms of large financial services groups like Nomura or Mitsubishi UFJ. And their perspectives are very different.

The international firms serve as a funnel for global investor money into Japanese equities, says JP Morgan AM trader Ako Nishi. "Our diverse client base includes both domestic and international investors, representing a wide variety of ownership and investment profiles. In recent years, our fund strategies have broadened to incorporate active ETFs alongside traditional active funds, and trading turnover on the APAC desk has shown strong year-on-year growth, with a particularly notable increase in Japan-related activity. Additionally, global funds such as JPMorgan Global Select have achieved significant success, with Japanese equities included as part of these global portfolios," she told Global Trading.

These flows pass through Nishi's trading desk in Hong Kong, she explains. "For Japan-related flows, the JPMAM APAC Equity Trading desk executes orders in Japanese equities and equity-linked derivatives for portfolio managers across APAC, EMEA, and the US."

For Nishi and her colleagues, trading Japanese

stocks is only one part of a much bigger task of getting best execution across the group's global trading flows. "Our team is structured into two main groups: one specialises in systematic and liquid flow, leveraging machine learning techniques, while the other focuses on large-size and illiquid trades, utilising a range of execution tools," she says. "Orders are allocated to the most suitable execution method based on their specific characteristics, and our traders – each with unique backgrounds and specialised expertise – oversee every trade to ensure optimal execution."

And naturally, that leads to broker algos with performance measured by transaction cost analysis (TCA). "For Japanese equity trading, as with most other APAC equity markets, we primarily engage brokers who demonstrate top execution performance according to our quantitative TCA model, which uses globally standardised benchmarks," Nishi explains. "Over 50% of our desk flow is now automated through machine learning, with our proprietary quant model allocating eligible orders to the most suitable and best-performing broker algorithms based on historical data."

A home disadvantage

For the domestic Japanese buyside firms, the picture is very different. They have obvious advantages in Japanese stocks compared with the international players. Their portfolio managers actually live in the same country and know the issuers well. They have insights into liquidity that are easily shared with their trader colleagues, who are familiar with domestic brokers who also know the market.

Yet the drive towards broker algos that has become a feature of most developed market buyside trading is uneven in Japan. Those firms with a significant international footprint, like Nomura Asset Management, have imported the methodology into Japan, says that firm's head of equity trading Kenji Takeda.

"In recent years, most people on the buy side have started using algorithmic trading," Takeda told delegates at the FIX Japan electronic trading conference in October. "The field of automated execution, such as algorithms, is rapidly evolving, and I feel that analytical capabilities and customisation capabilities are becoming increasingly important factors.

"Not many Japanese asset management companies have overseas trading desks, and in most cases, they handle their transactions mainly in Tokyo," Takeda notes. "However, we are in the midst of fierce competition to acquire overseas mandates, so for us there is an increasing need to build a global standard execution system and automate our trading."

That may be happening at Nomura AM, which has a large proportion of actively-managed funds, but less so at Mitsubishi UFG Trust Bank, which manages US$600 billion in mostly passive funds. "In terms of changes in the industry, automation of execution seems to be a trend, but we are more focused on other aspect of trading, such as confidentiality," according to Masatsugu Takiyama, chief trader at MUFG Trust Bank. "However, we have started to consider updating our structure and

Kenji Takeda, Nomura Asset Management

system to implement automation of execution in the near future."

Perhaps one reason for this mixed picture is that Japan's equity market has unique challenges. For international funds that trade Japanese stocks alongside those of other countries, the problem is that the universe of stocks is much larger than other markets in the APAC region, and many are thinly traded. Also, the presence of high frequency trading (HFT) firms is higher than other markets, leading to well-known complaints about market impact. Frustration about HFTs in Tokyo runs so high that Nomura AM's Takeda refers to it as a "signalling cost" on the buyside.

Japanese buyside firms that use non-order based liquidity in the form of indications of interest (IOIs) warn about the importance of transparency, because here there is also an information leakage problem, with 'fake IOIs' being present according to Takeda.

A question of trust

For Mitsubishi UFG Trust's Takiyama, the challenge relates to programme trading in his fund's passive portfolios. "Our firm has a high proportion of passive management, with many of our executions being primarily carried out through program trading desks," he says.

Programme trading, which involves trading large baskets of stocks over a period of time, does not lend itself easily to algos. Buyside firms can execute programme trades bilaterally with brokers as a principal, but in Japan that poses a problem:

Masatsugu Takiyama, MUFG Trust Bank

The Tokyo Stock Exchange requires such bilateral trades to be reported daily on a platform called ToSTNeT (TSE Trading Network System). But with a fund management firm's name appearing on the platform, hedge funds and HFTs get tipped off that a programme trade is underway, allowing front running to take place.

"Most Japanese buyside firms are using a principal to trade for their passive fund rebalancing," Takiyama explains. "However, our trading is quite large, so if we trade on ToSTNeT everyone can see we are trading, they can see our inflows and outflows, and I think that's not good for us and also our clients."

As a result, Takiyama prefers to hand over the entire basket trade to a broker which acts as an agent, and whose larger flows mask their client's programme trade. "We use agency PT for confidentiality reasons," he told Global Trading. "It is extremely rare for it to be carried out by the principal. The agency commission tend to be cheaper than using algos."

This willingness to rely on third parties extends to non-domestic stocks, as Japanese investors use domestic fund managers to access US and European markets. The traders serve as conduit for such activity.

"In the European and American markets, which account for the majority of our transactions, orders are mainly placed via program trading desks due to time difference. In the foreign equities, we place the greatest importance on ability to provide information and conduct research in overseas markets," Takiyama observes. "Access to information is often difficult, including due to language barriers, so we believe that the information provided by traders is extremely important."

IOIs fit naturally into this programme trading mindset, where brokers are keen to access Mitsubishi UFJ Trust's client activity or 'natural' IOIs. "We use IOI natural flow," Takiyama explains. "We ask the securities companies for this. Normally, we ask brokers to send us IOI by email, but for illiquid stocks we also use Bloomberg's IOI. In such cases, we basically try to make use of natural flow and the unwind of a principal flow."

Because of this reliance on brokers, Takiyama places huge reliance on trust and confidentiality with the brokers he uses.

Nomura AM's Takeda says his trust in brokers has been dented by some bad IOI experiences. "People use IOI because they don't want to have that impact, which means they don't want to move the price, so they basically prioritise natural flow," he says. "However, in cases where the entire portfolio is to be sold, we also use Principal IOI. Here, I strongly feel that we need brokers to present accurate information."

By contrast, rather than relying on trust, JP Morgan AM is determined to ensure best execution using its global benchmarks. "We leverage IOIs regardless of whether the contra is natural or non-natural, and for each IOI cross transaction, we confirm the type through direct communication with brokers before accessing liquidity," says Nishi, who uses her firm's technology to detect and punish fake IOIs in the broker market.

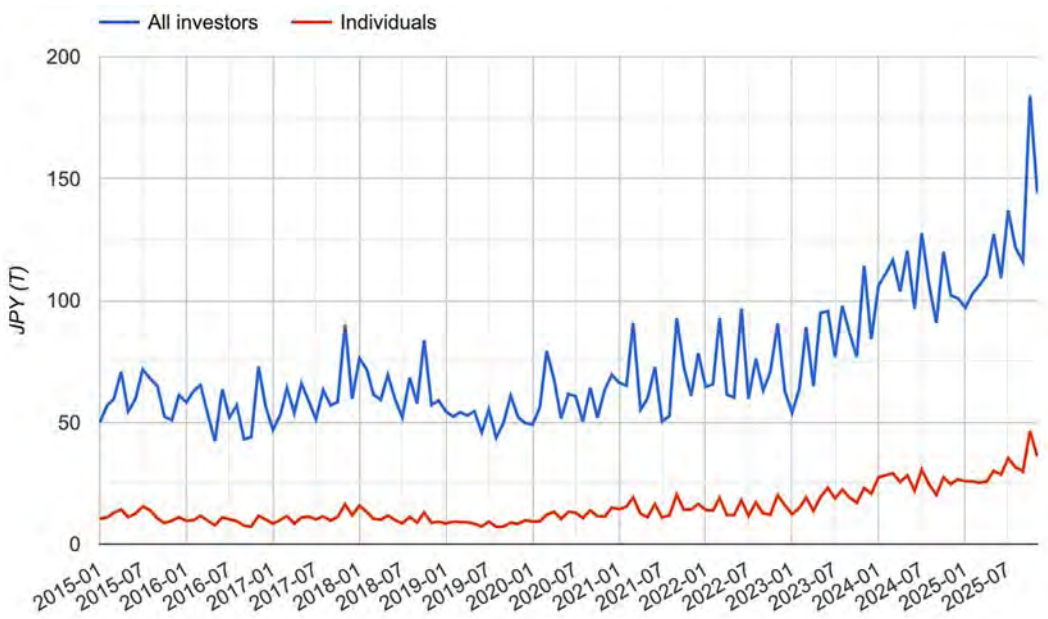
"All transactions, including IOI crosses, are incorporated into our broker evaluations, enabling us to analyse the impact of each trade on overall performance," she told Global Trading. "By applying systematic approaches to our trading operations, we ensure objective decision-making and strive to execute at the optimal broker and venue, ultimately benefiting JPMAM's clients."

The pressure to modernise

For domestic Japanese buyside firms, the message is increasingly clear that they need to up their game when it comes to systems and internal rules.

According to Nomura AM's Takeda, "In our case, we do not currently conduct quantitative

Fig 1: Japanese equity trading volume (JPY)



performance evaluations of execution. The reason is that we don't often leave it in one algorithm and execute it. Each trader analyses the market situation and frequently changes strategies, so I think that our company's execution performance on a day does not necessarily reflect the performance of the broker's algorithm. We are currently considering making the orders placed on algo wheels quantitatively evaluated."

The ability of many Japanese buyside firms to modernise their trading is hamstrung by aging technology.

Mitsubishi UFJ Trust's Takiyama explains the challenge: "We need to update our systems and rules to use the latest technology," Takiyama says. "Those are not designed to adapt to new technology."

An example that Japanese firms might want to emulate could be JP Morgan AM's APAC trading desk. "We place a strong emphasis on TCA and have two dedicated quant analysts in the region," Nishi explains. "Our proprietary analytics tools and globally integrated order management system, Spectrum, ensure consistency across our organisation. For trading cost analysis, we utilise an independent third-party model, enabling us to evaluate costs objectively and comprehensively. Japanese execution, like other markets, is seamlessly incorporated into our globally standardised benchmarks."

Domestic firms face a similar handicap when it comes to access new liquidity sources such as dark aggregators and alternative trading systems. According to one buyside trader, "To make sure we can use them, we have to be ready. We have to change our systems, and we have to maybe change our tools."

JP Morgan AM, on the other hand, is ready, and Nishi welcomes the arrival of new entrants to shake up the Japanese market. "The development of advanced electronic liquidity sources is particularly attractive to us, especially in markets like Japan where the order book is thin and confidentiality is crucial – particularly for mid and small caps that are difficult to trade on screen," she says. "Increasing the ability to secure liquidity electronically in an unbiased and confidential manner would provide greater confidence to information-sensitive participants and could help advance Japanese equity trading to the next level."

In the absence of JP Morgan AM's world-class AI and data tools, Mitsubish UFG Trust's Takiyama wants something simpler and fairer – a consolidated tape, which in Japan remains just a dream. "We need to have a consolidated tape to make it easier to decide which trading venue has the best price at the time," he complains. "Right now in Japan, if you want to trade at PTS, we have to make sure the price is same or better than the main market. We don't have a consolidated tape, so we have to ask the broker to send us the report after the trade every day to check the trade, which is waste of time." ■

Modernising Japan’s trade lifecycle through innovation and operational resilience

David Runacres, President of APAC at Broadridge, spoke to Global Trading about Japan’s capital markets and the structural, technological and operational changes driving modernisation and operational resilience.

Japan’s capital markets have shown strong momentum towards modernisation. What are the key trends driving change across the market today?

We’re working with customers on four areas. One is market activity. The Nikkei is at a record high of over 51,000 and there’s a lot of international money coming in, making it a global market. There are also structural and regulatory changes within the Japan Securities Depository Center (JASDEC) and the upcoming discussions around when T + 1 will happen in Japan and what’s needed to deliver it. The TSE is looking at moving closer to a twenty-two by five trading day.

There will be an extension of the trading day at least, but it has to align with global practices. Changes to governance – things like ownership, more transparency, more investment in the Nisa 2 program, and more superannuation and retirement funds looking for a home, all have an effect.

The third part is really technology and digital innovation. Japan’s markets have been more of a trend follower when it comes to technology changes, but the sheer trade volume and dealing with international markets is driving changes such as blockchain and AI requirements. Cybersecurity which has affected Japan recently has become a real focus.

Running through all of this is investor behaviour. We’re finally seeing savings starting to move into investment in the domestic market.

That’s driven by tax incentives, digital engagement with retail investors, and also the rise of Exchange Traded Funds (ETFs). Retail investors may not focus on individual equities but view structured products like ETFs as a way to get more arbitrage on the market.

What efficiency challenges are participants encountering across the trade lifecycle in Japan?

More international firms are participating in the market than ever before, and Japan has unique regulation, infrastructure and culture. So, one of the challenges is how to operate in this market.

Using faxes, decades-old software and hardware infrastructure creates inefficiencies. There’s wide demand for securities lending and we have examples of some early adopters.

Brokers who are first to market with it are making considerable revenues. The challenge is scaling a very fast-growing business using a largely manual approach.

I know a large firm running this via a spreadsheet. That's not a scalable approach.

How are automation, AI and operational resilience helping firms address these challenges and strengthen connectivity across markets?

Managing a very fragmented and often manual process is the place to start by creating straight-through-processing.

That involves a set of skills and technology capabilities that a firm may not have, but are key to an efficient trade lifecycle.

Our platform approach is one way to solve this, creating a more straightforward interface between each function in a trade lifecycle. We are focused on standardising wherever possible and using standard protocols such as FIX.

Consider JASDEC – the interface with exchanges here. Making that as seamless and straightforward as possible to create straight-through processing is the production line for trading.

Japan is a slow but steady adopter of tech like AI. There is caution, rightfully so, on using AI in decision-making processes.

Generally, AI should support the decision-making process rather than make the decisions itself. A survey we published this year on AI adoption and implementation in Japan underscored that firms are still in early phases of adoption, but they're looking at AI to help them get over manual processes.

An example of a manual process is reconciliation in settlement. Looking at anomalies is a manual process today. AI is a fantastic pattern-matching, high-speed approach to pull out anomalies.

AI in our products is used to help accelerate failure identification and resolution. There has to be a human to make a decision, but problems are surfaced faster and at scale. Japan has some unique resilience challenges, not least as probably the most earthquake-prone country on earth. It's only recently that the regulator has regulated best practice for systemically important financial infrastructure.

Electronification is helping there. A few years ago, an exchange might have used a nearby back-up within Tokyo. Now the regulator's saying that's nowhere near good enough. You've got to be somewhere like Osaka for your backup and prove that you can do it. That's not very straightforward. Broadridge is an example of a firm that already has that recovery in place.

Most efforts in cybersecurity have traditionally focused on prevention – for example, stopping intrusions before they occur. However, recent events like the CrowdStrike and AWS outages have shown that it's impossible to block every threat or disruption. As a result, attention is shifting toward recovery. What we call immutable and repave – the ability to quickly restore systems to their exact state before an incident – emphasises not just defence, but resilience and agility in bouncing back after something wrong.

"I think we're going to see the market further internationalised because of the amount of investment appetite into Japan in almost any asset class these days."

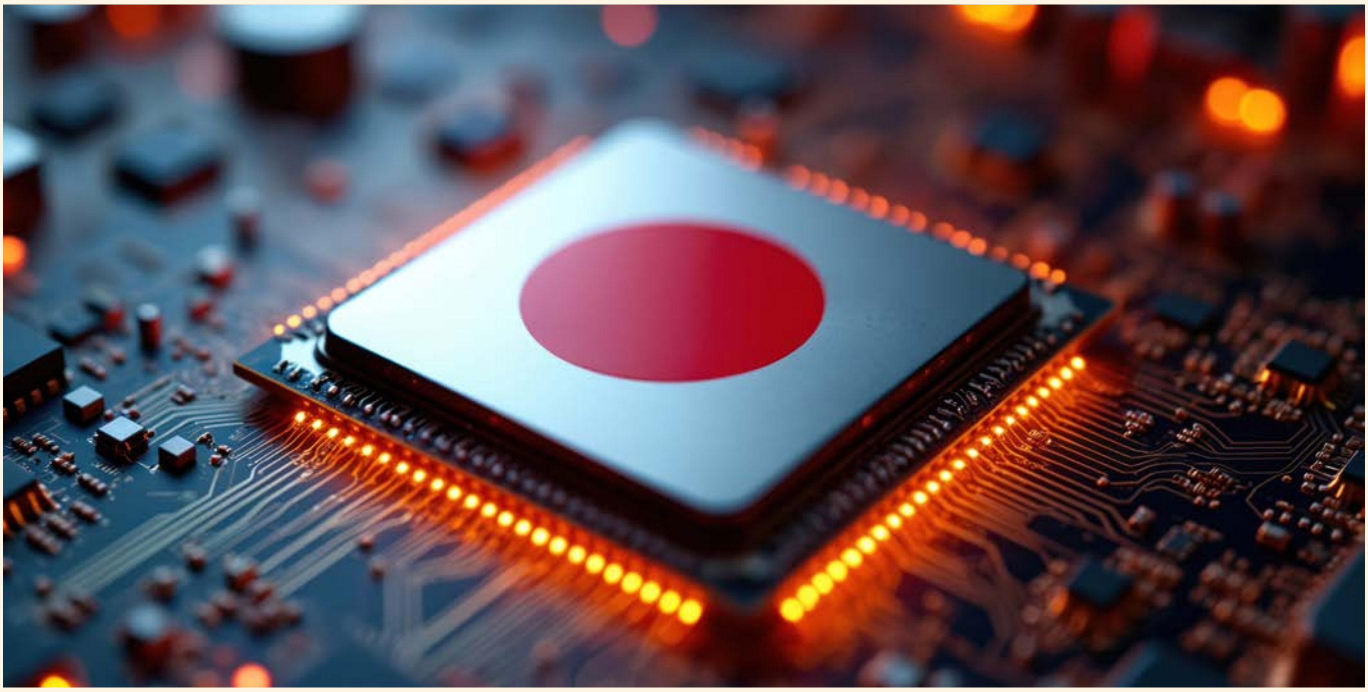
David Runacres
Broadridge

Looking ahead, what's your vision for a more simplified, standardised and resilient ecosystem in Japan?

Japan's markets are easily in the top three global markets, there's the benchmark, [so] how does Japan make sure that it is not behind? It doesn't have to be in front, but it has to be in lockstep with two other markets globally. I think we're going to see the market further internationalised because of the amount of investment appetite into Japan in almost any asset class these days.

The challenge to the inward flow is that a lot of the owners of that flow don't necessarily understand the market.

We're going to see more standardised, globally acceptable practices. We'll see interfaces that work here as they work anywhere else, and Japan being at least as good as other major markets at leveraging AI and operational resilience technology. Moving forward, Japan will become a more global financial centre rather than an extremely large domestic financial one. ■



Serving Japan's equity retail revolution

Global Trading spoke to Roman Ginis, CEO of Imperative Execution, Founder of IntelligentCross, on how innovation in US equity markets is being applied to Japan.

Over the last couple of years, equity trading in Japan has undergone a transformation, with a growing base of active retail traders repositioning their assets into stocks. How does this correlate to the US Equities Market?

Roman Ginis

Retail investors have become a major force in US equity markets – accounting for about 20-30% of trading volume in 2025[1], up from just 10% five years ago. Retail brokers and their clients want liquidity, performance, and economics – areas where IntelligentCross can add significant value, leveraging our extensive institutional network and liquidity.

It is important to US retail investors to ensure that their orders are getting the best possible execution – being optimally matched for maximum price improvement.

This is one of the objectives for JAX, the newest Proprietary Trading System (PTS) operator in Japan, which is designed to better serve the needs of retail investors.

What role can innovation play at a time like this in the Japanese equity markets?

Innovation in the equities markets in the US has given investors tremendous choice in how they can optimise their execution. From reducing market impact and controlling information leakage, to lowering adverse selection, to getting more price improvement – venues and matching mechanisms in the US have validated that investors want and benefit from these optimisations. Japanese markets can build on the ideas that make sense and potentially innovate and improve on what already works elsewhere.

How is Imperative Execution participating in the Japanese markets? And how does that benefit the retail investor?

At the end of 2024, we partnered with a Rakuten-led consortium to launch JAX PTS, a retail-focused venue powered by our matching engine technology. Today, JAX handles over 7% of total Japanese market volume[2] – a remarkable success that underscores the strength of this model.

Retail participation is only growing, and so is the demand for innovative trading solutions. The result: better access, better execution, and better liquidity for everyone – retail clients, brokers, and liquidity providers alike.

You launched IntelligentCross in the US in mid 2018, and it has rocketed to being the #1 ATS[3] (Alternative Trading System – the US equivalent of a PTS) in just 7 years. What did you learn that will help Imperative Execution provide greater efficiency and better performance to Japanese investors?

We launched IntelligentCross as a performance product to empower institutional investors to get higher quality execution than they could get from traditional venues.

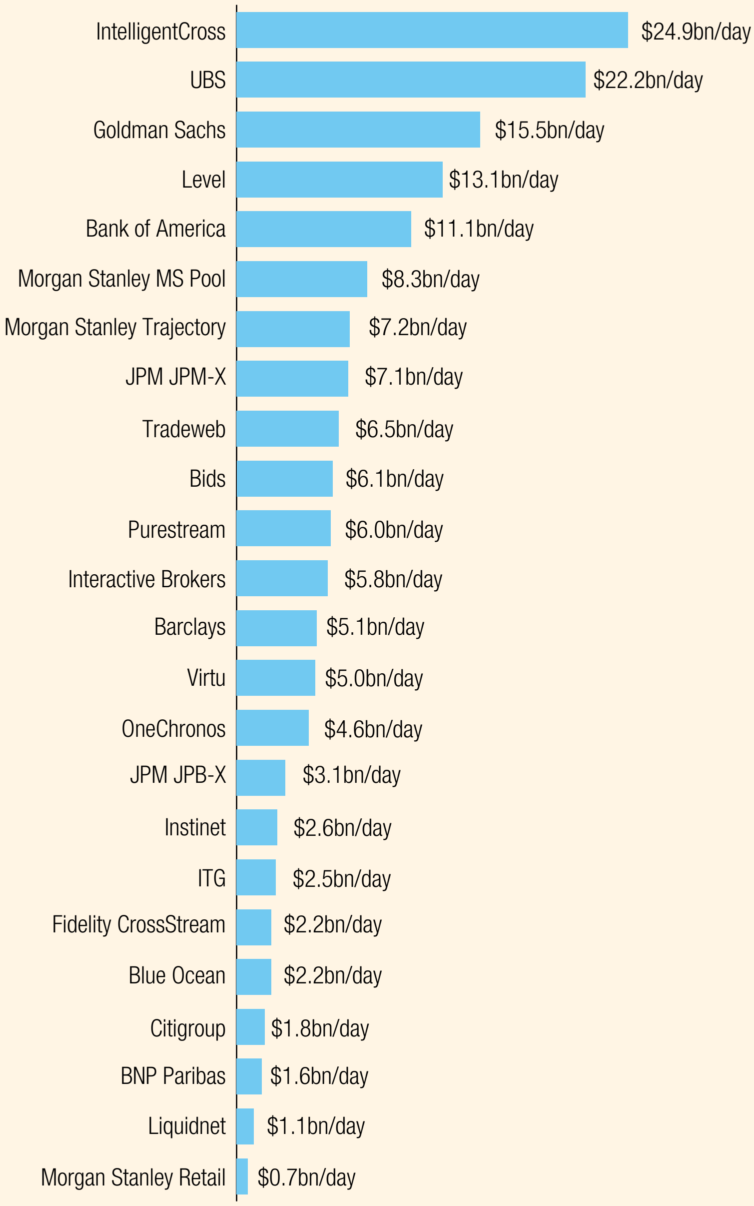
Our growth in the US has validated that investors want this category of a product. Our subscribers are all major banks, brokers, asset managers and liquidity providers and they are looking for performance. It is not just about best possible execution, it is about winning more business and getting more performance out of each trade.

Many firms in Japan trade globally and already trade with IntelligentCross in the US. With their feedback, there are definite opportunities to adapt some of our technology to the Japanese market.

What are some things that Japanese investors should do to improve their equity investment experience and performance?

Japanese investors can ask their brokers to provide them with global post-trade data that helps them to assess how well their Japanese equity orders are performing against a variety of metrics, including data relative to performance trends in other markets, like the US and EU, where there are a number of established performance-focused venues and matching mechanisms. They can also ask whether their brokers are routing their orders to some of the newer venues available to them, in addition to the exchange. The natural forces of competition will help drive more choices, greater efficiencies, and lower trading costs. ■

Fig 1: US ATS notional market share



Source: FINRA ATS Data | 20 Trading Days. Notional matched, single-counted

Footnotes:
1. *Sources: Nasdaq and SIFMA*
2. *Sources: JPX and JSDA*
3. *FINRA Weekly ATS Reports and IntelligentCross Data*