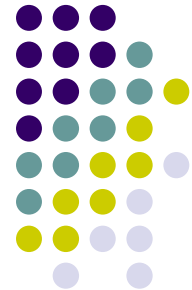


Trends in Electronic Trading and the Future Execution Landscape

FIXPROTOCOL
INDUSTRY-DRIVEN MESSAGING STANDARD™

Richard Balarkas
CEO and President Instinet Europe
FPL Global Steering Committee Co-Chair



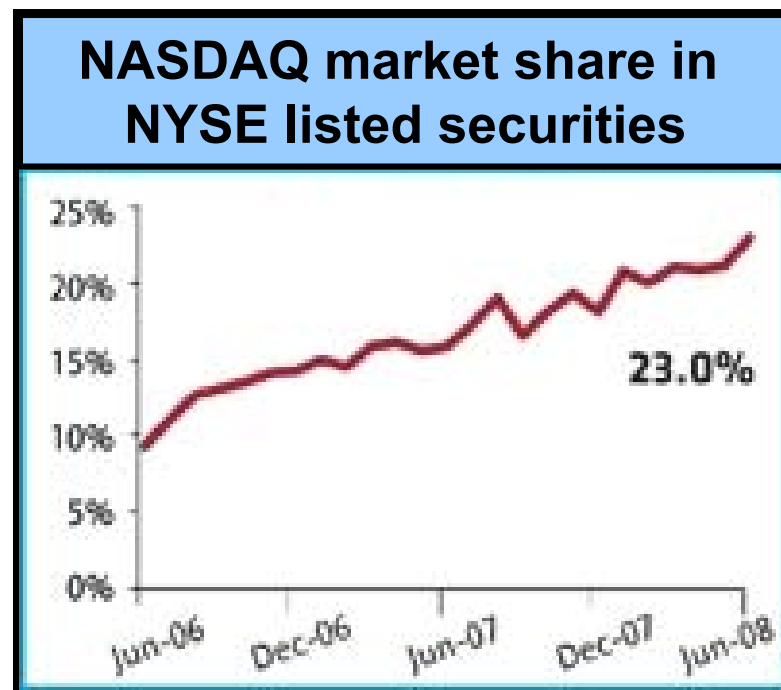
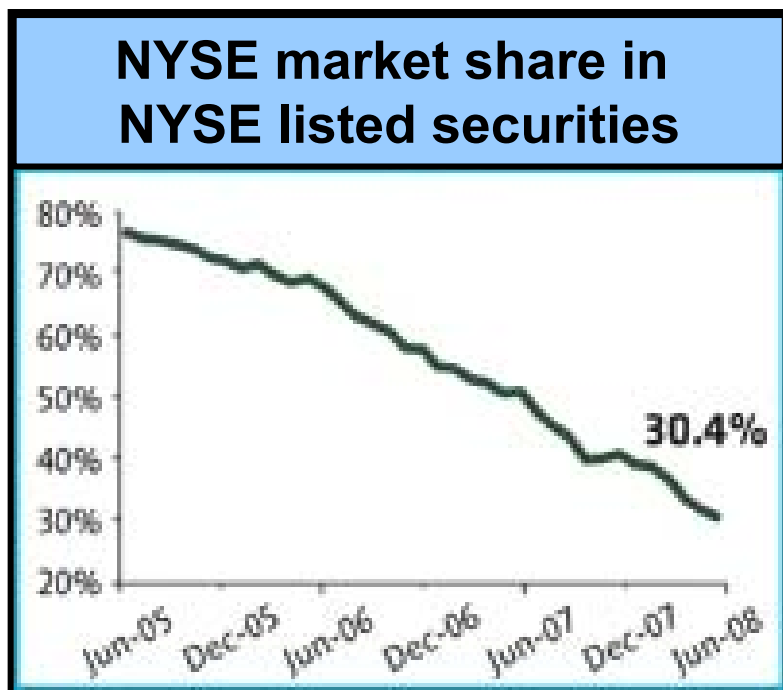


Major Trends in US and Europe

- Continued growth in buy side adoption of electronic trading
- Market structure. Competition between trading venues leads to:-
 - ◆ liquidity fragmentation
 - ◆ new, faster, cheaper “exchanges”
 - ◆ dark liquidity order types
- Smart routing becomes key to successful execution
- Agency electronic trading model moving into FX and derivatives



Liquidity has shifted



Friday 11th July NASDAQ (25.66%) trades more NYSE listed shares than NYSE (25.61%)...

So who did the other 48%?

INSTINET® A WHOLLY OWNED SUBSIDIARY OF **NOMURA**



US Market Fragmentation

- 55 venues for US equities
 - Average NYSE floor execution in 2005 14 seconds
 - Average execution 2008 3 to 7 milliseconds
 - Average order size 100,000 shares
 - Average clip size = 250 shares
- = 400 executions per order
- = either find a block in a dark pool and/or use automated algorithms to work the order
- Result - 63% of shares are executed without using a sales trader



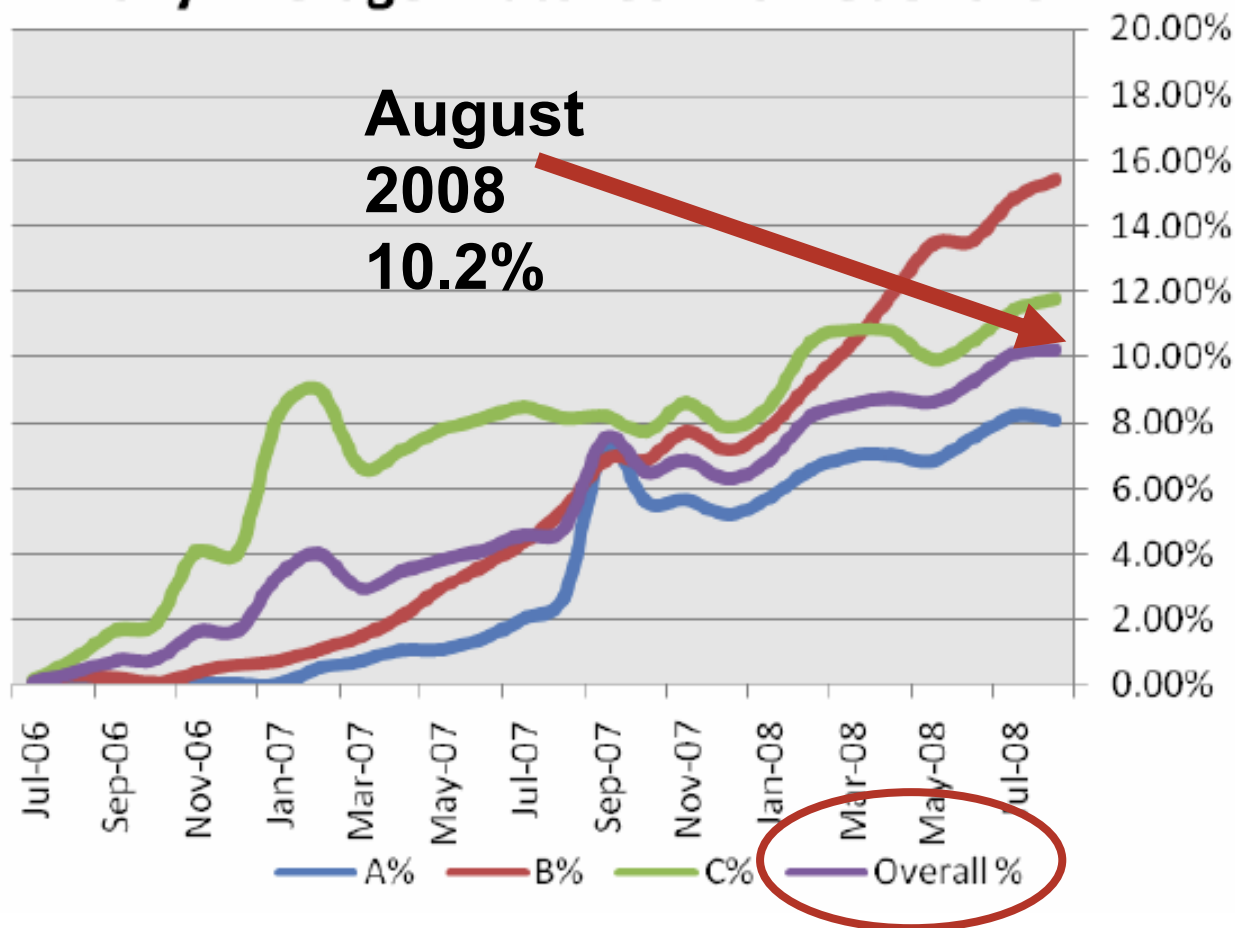
Example: BATS Trading

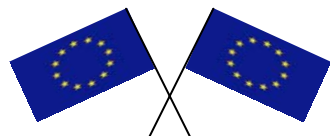
- No initial investment or backing from bulge bracket brokers
- Good technology + rebate revenue model + electronic liquidity providers = tightest spreads
- Tightest spreads + best execution = must trade there
- Launched in 2005 and now the 3rd largest US exchange
- 80% of orders within 400 microseconds
- Average market data events per second 27,000
- Peak events per second 95,000



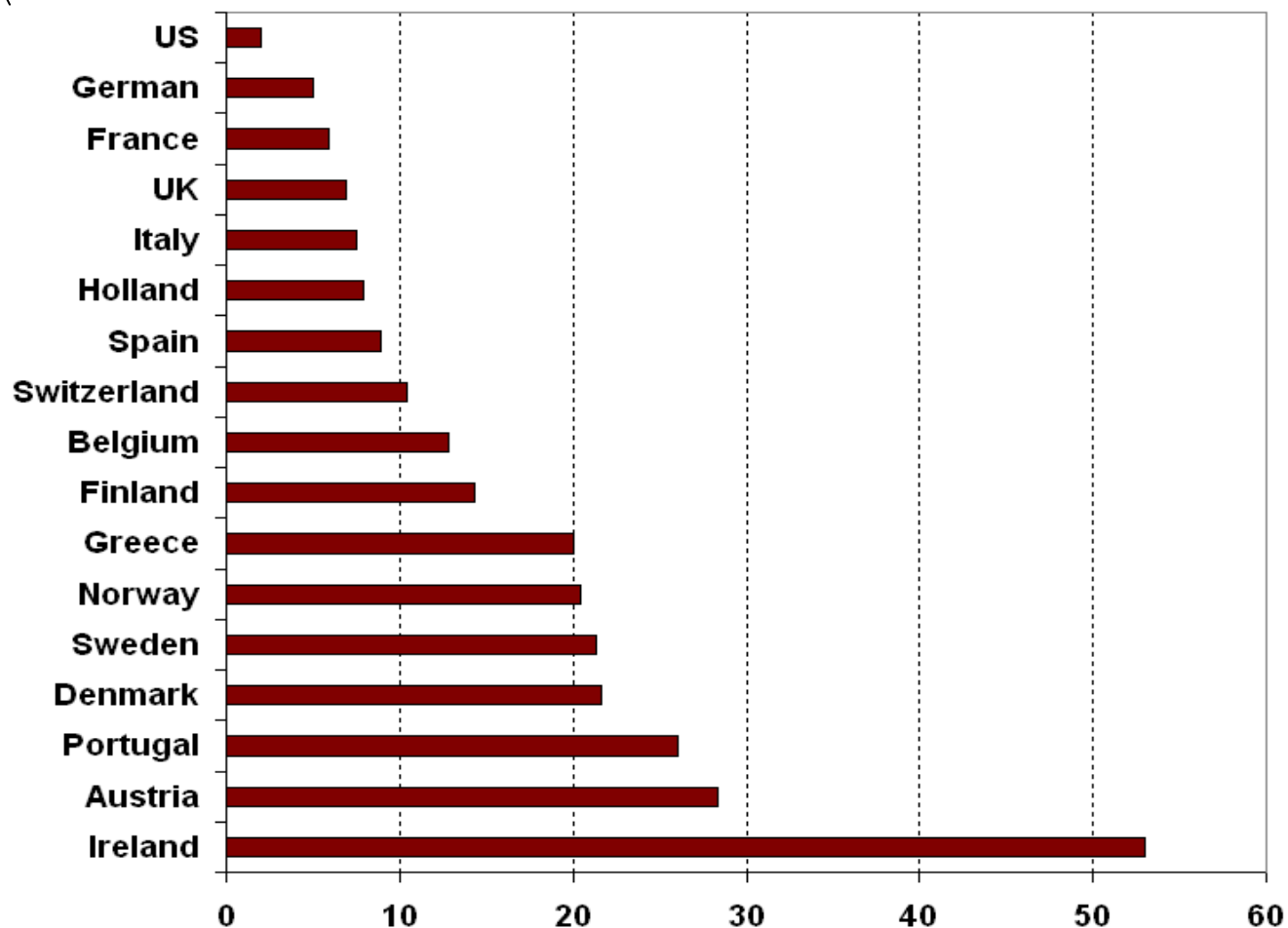
BATS Market Share

Daily Average Matched Market Share



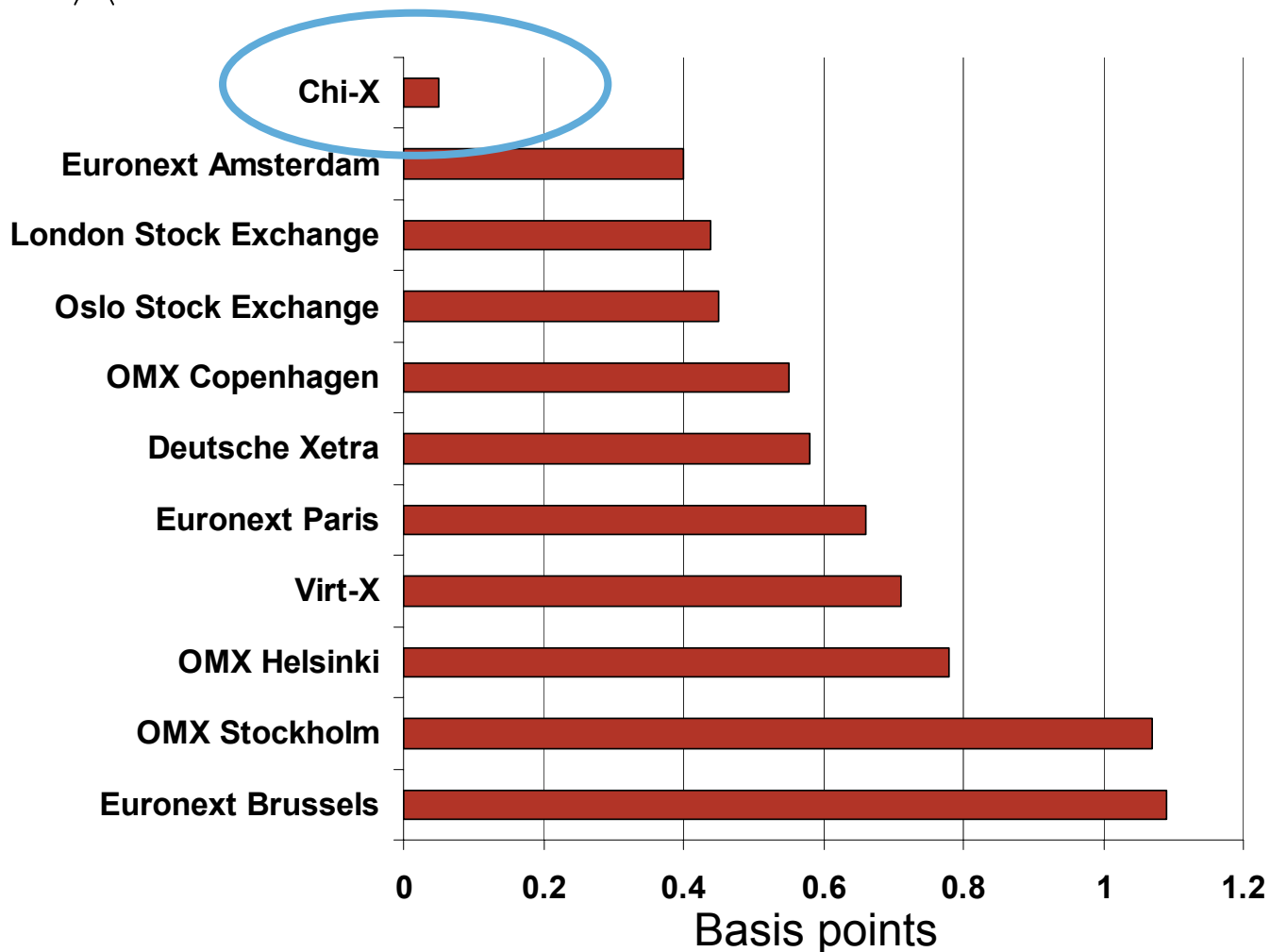


European Exchanges - Spreads



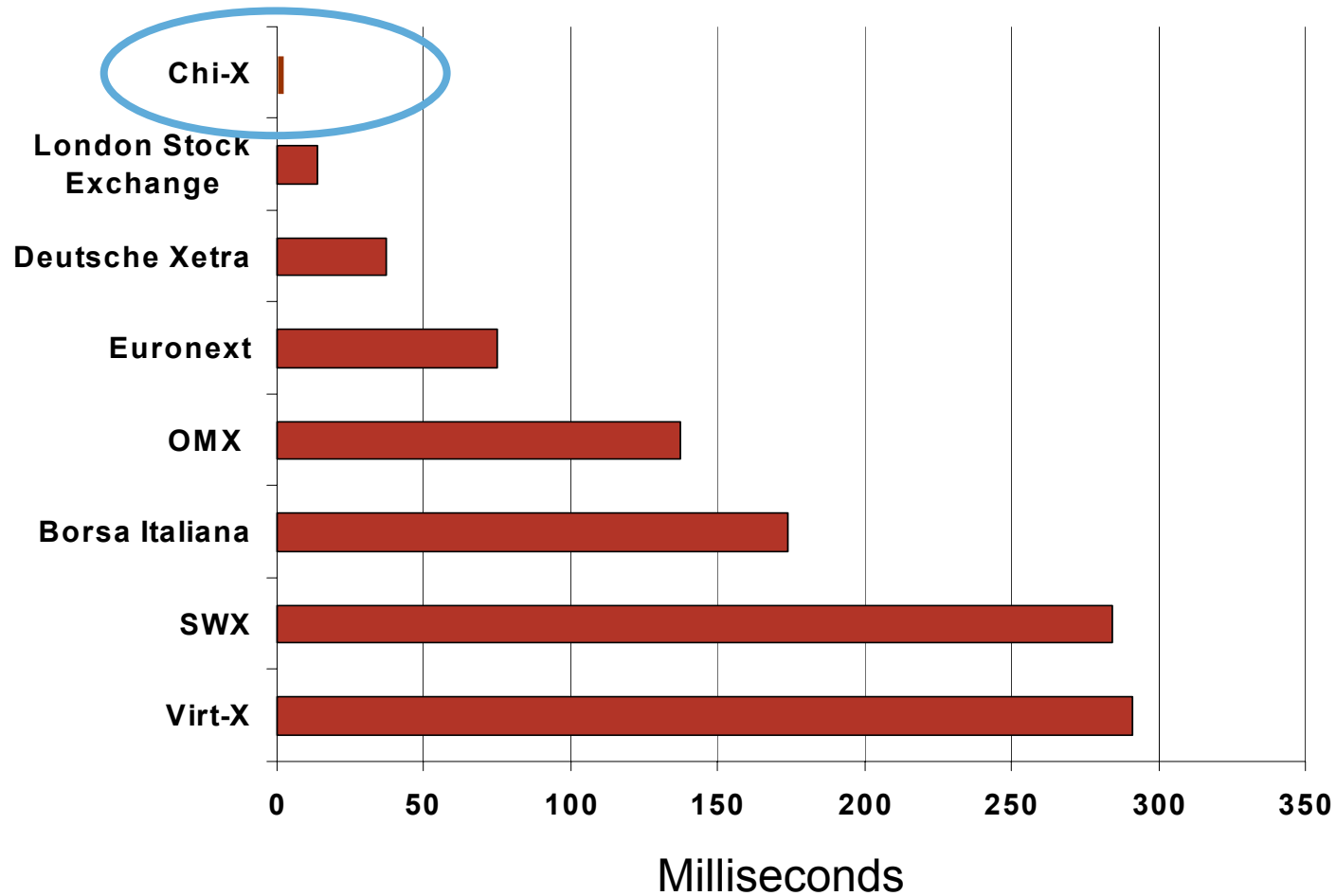


Exchange Costs





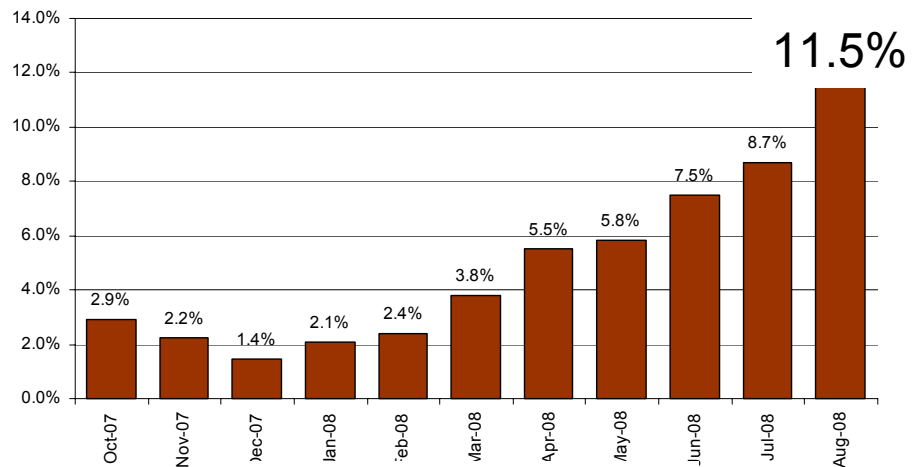
Exchange Latency



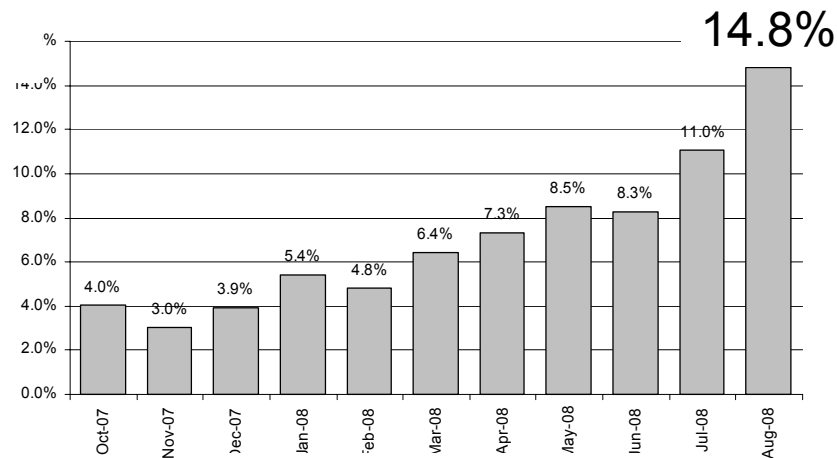


Chi-X Market Share Growth

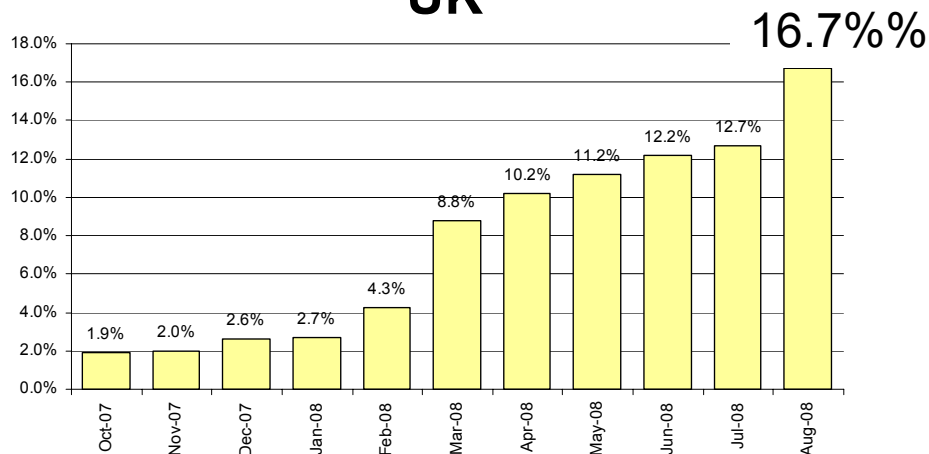
Germany



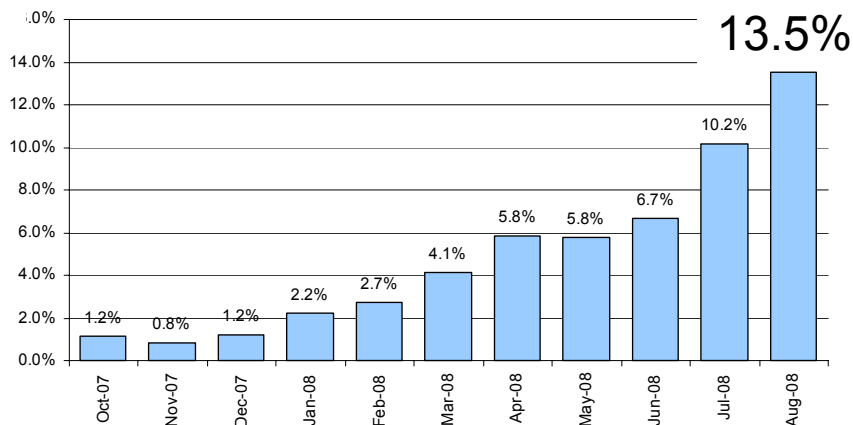
Holland



UK



France



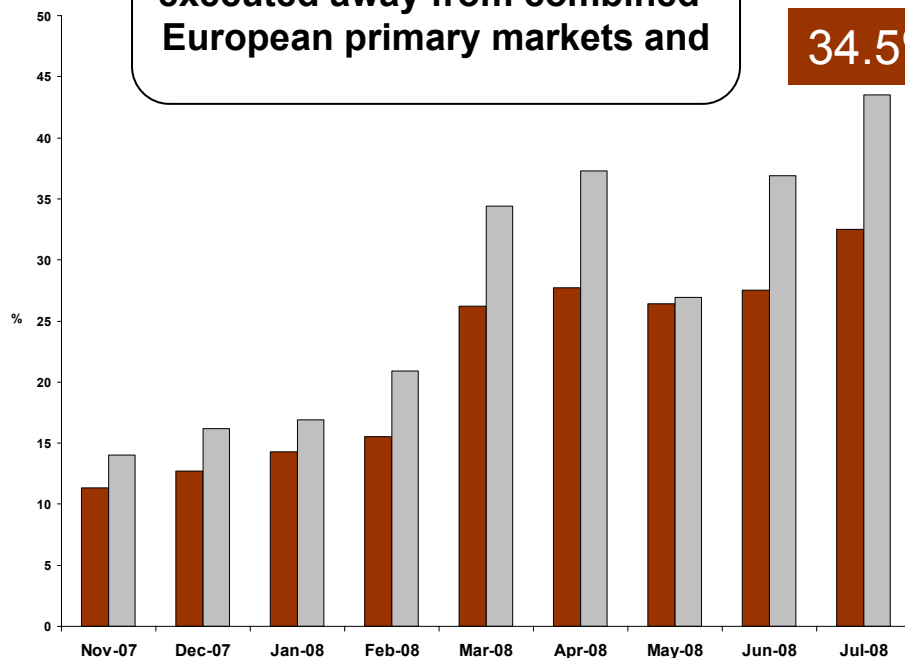


Growth in Smart Routing and Price Improvement

Percentage of Instinet trades executed away from combined* European primary markets and

45.5%

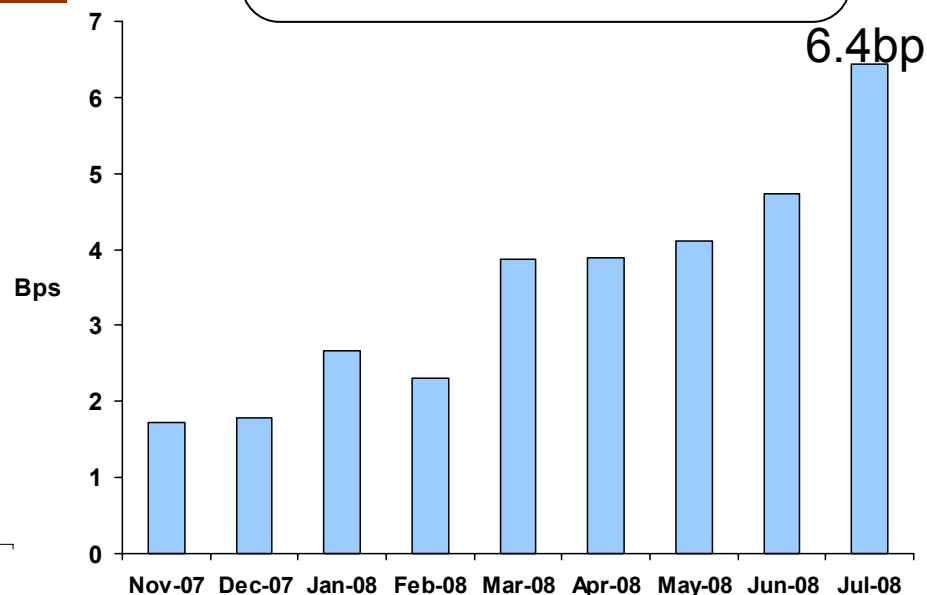
34.5%



UK, France Germany and Holland

UK only

Basis Point Improvement



INSTINET®

A WHOLLY OWNED SUBSIDIARY OF

NOMURA



Managing Fragmentation: Destination Reports

Destination Name	Percentage Destination	Total Number Of Trades	Total Quantity	Average Price	Total Consideration	Basis Point Saving
Instinet BlockMatch	0.12%	1	637	5.3850	3,430.25	18.5701
Chi-X	34.73%	106	192,687	5.3526	1,031,369.07	7.1383
London Stock Exchange	59.31%	74	328,494	5.3615	1,761,235.54	*
NyFix Euro Millennium	0.32%	3	1,795	5.3547	9,611.74	30.2208
Credit Suisse Cross Finder	5.52%	22	30,597	5.3560	163,877.30	7.0914
	100.00%	206	554,210	5.3581	2,969,523.90	
	100.00%	206	554,210	5.3581	2,969,523.90	



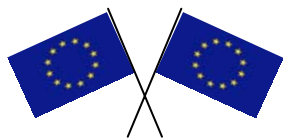
Europe: Fragmentation

LIVE







- Primary markets
- Chi-X
- BlockMatch
- NYFIX Euromillennium
- SWX Swissblock
- Credit Suisse Crossfinder
- Turquoise
- NASDAQ/OMX – Sept 08

YET TO COME

- BATS – Nov 08
- Plus Markets – Nov 08 tbc
- Pipeline – tbc
- NYSE Euronext SmartPool – Q4
- Baikal – Q1 09
- Burgundy – H1 09
- LiquidNet - tbc
- Equiduct – tbc
- Other broker dark pools?

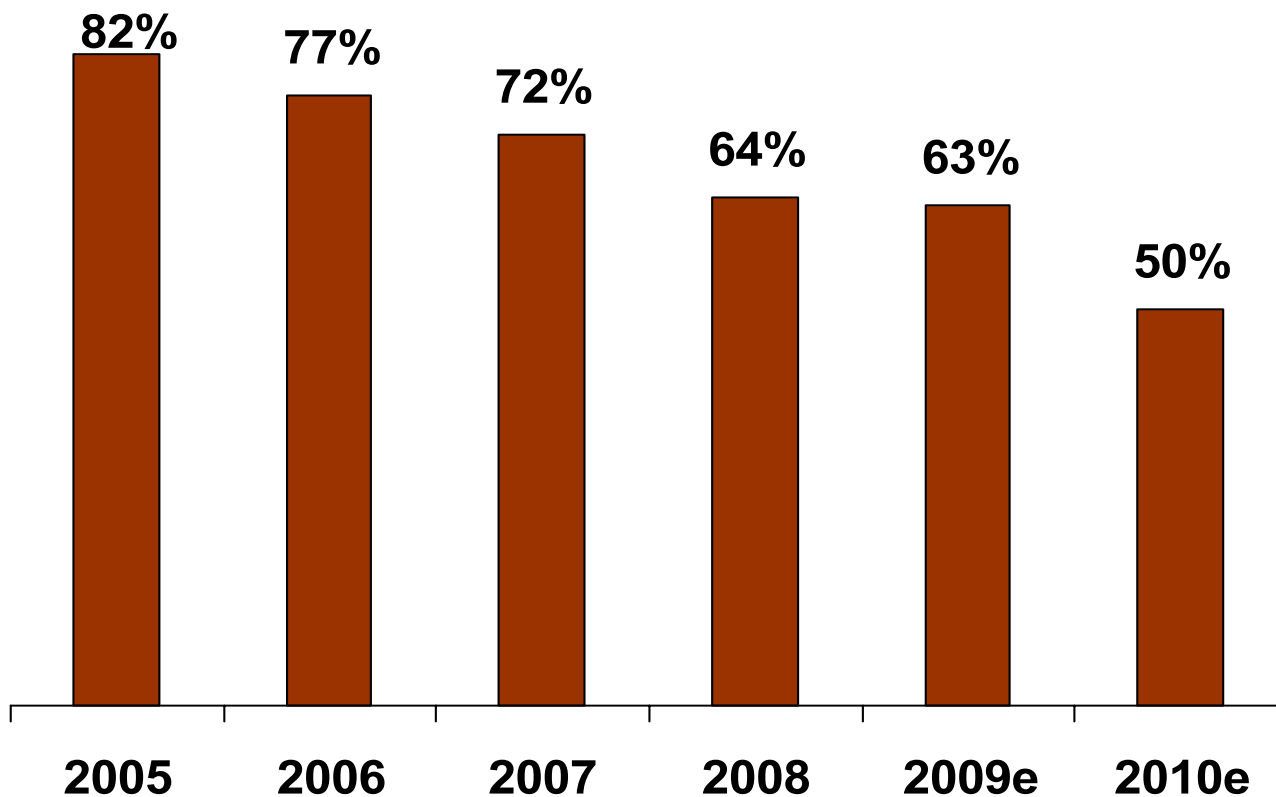


Instinet Smart Order Routing in Europe

						
Primary Exchange	✓	✓	✓	✓	✓	✓
Chi-X	✓	✓	✓	✓	✓	
BlockMatch	✓	✓	✓	✓	✓	
NYFIX EuroMillennium	✓	✓	✓	✓		
Turquoise	✓	✓	✓	✓		
SWX Swissblock						
Broker to broker dark pool						
Credit Suisse Crossfinder	✓	✓	✓	✓	✓	
Yet to come						
NASDAQ OMX	BATS	Plus Markets	Pipeline	NYSE Euronext	Smartpool	Baikal
Burgundy	Equiduct					
Other brokers						
Sigma (Goldman Sachs)	MLX (Merrill Lynch)	Posit (ITG)	PIN (UBS)	Liquidnet		



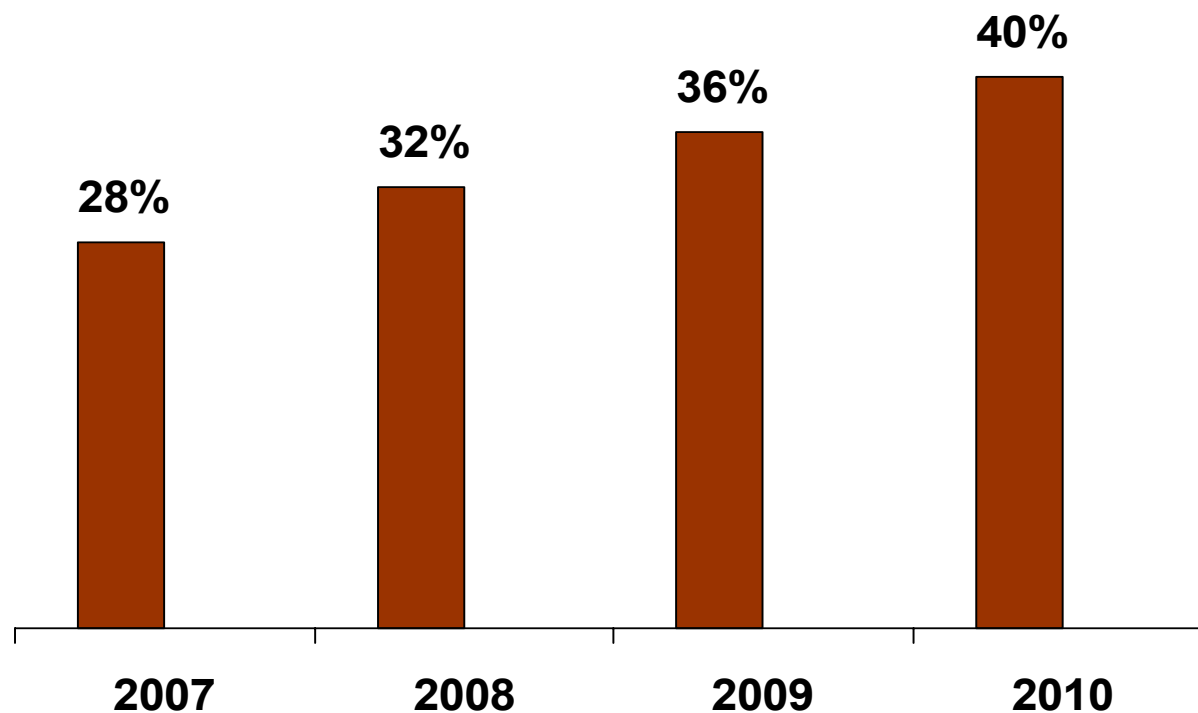
Use of sales traders



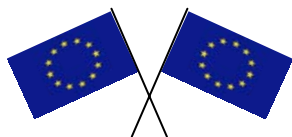
Source: 'European Equity Trading 2008'
Tabb Report



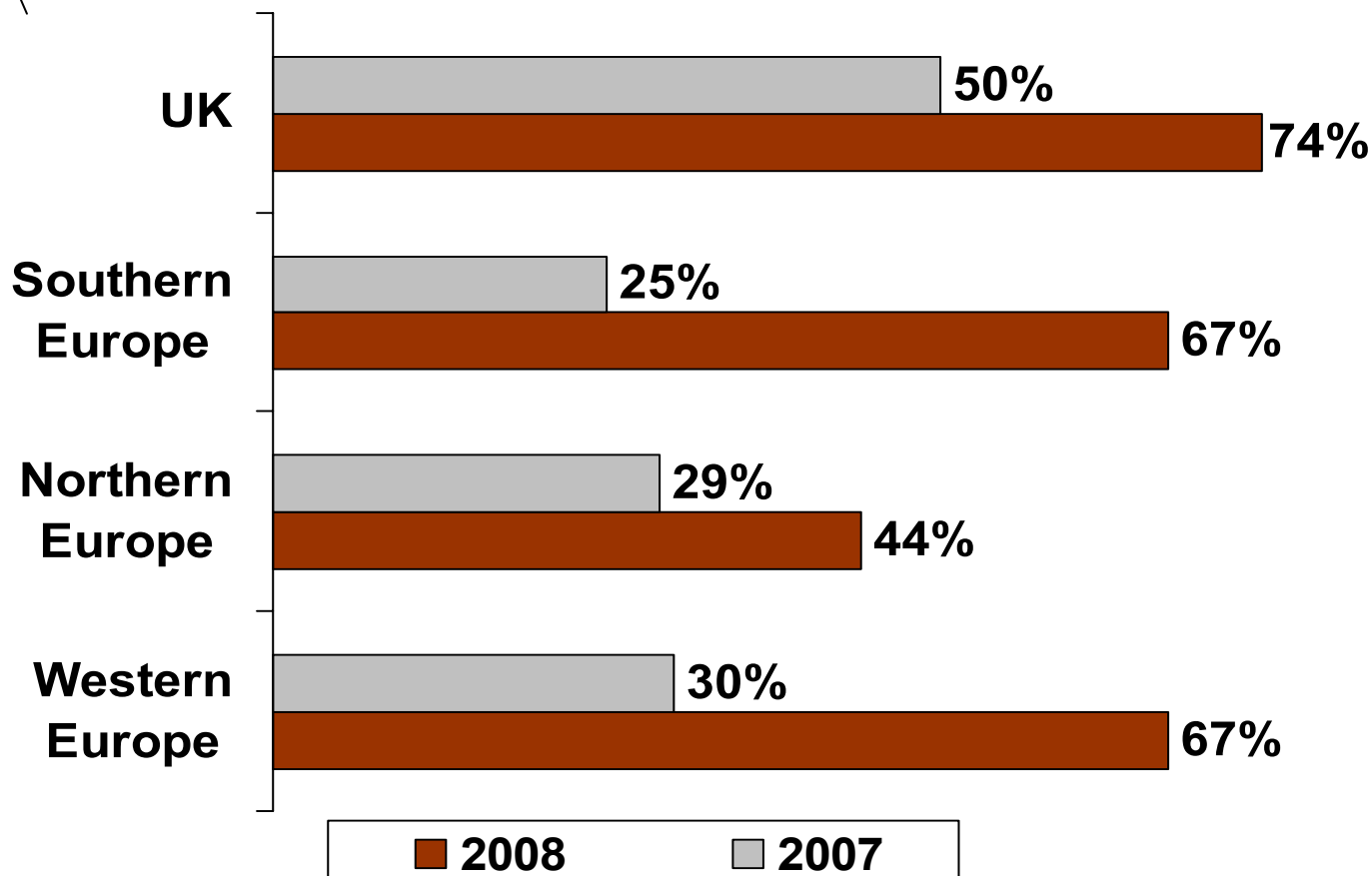
Growth of Low Touch Trading



Source: 'European Equity Trading 2008'
Tabb Report



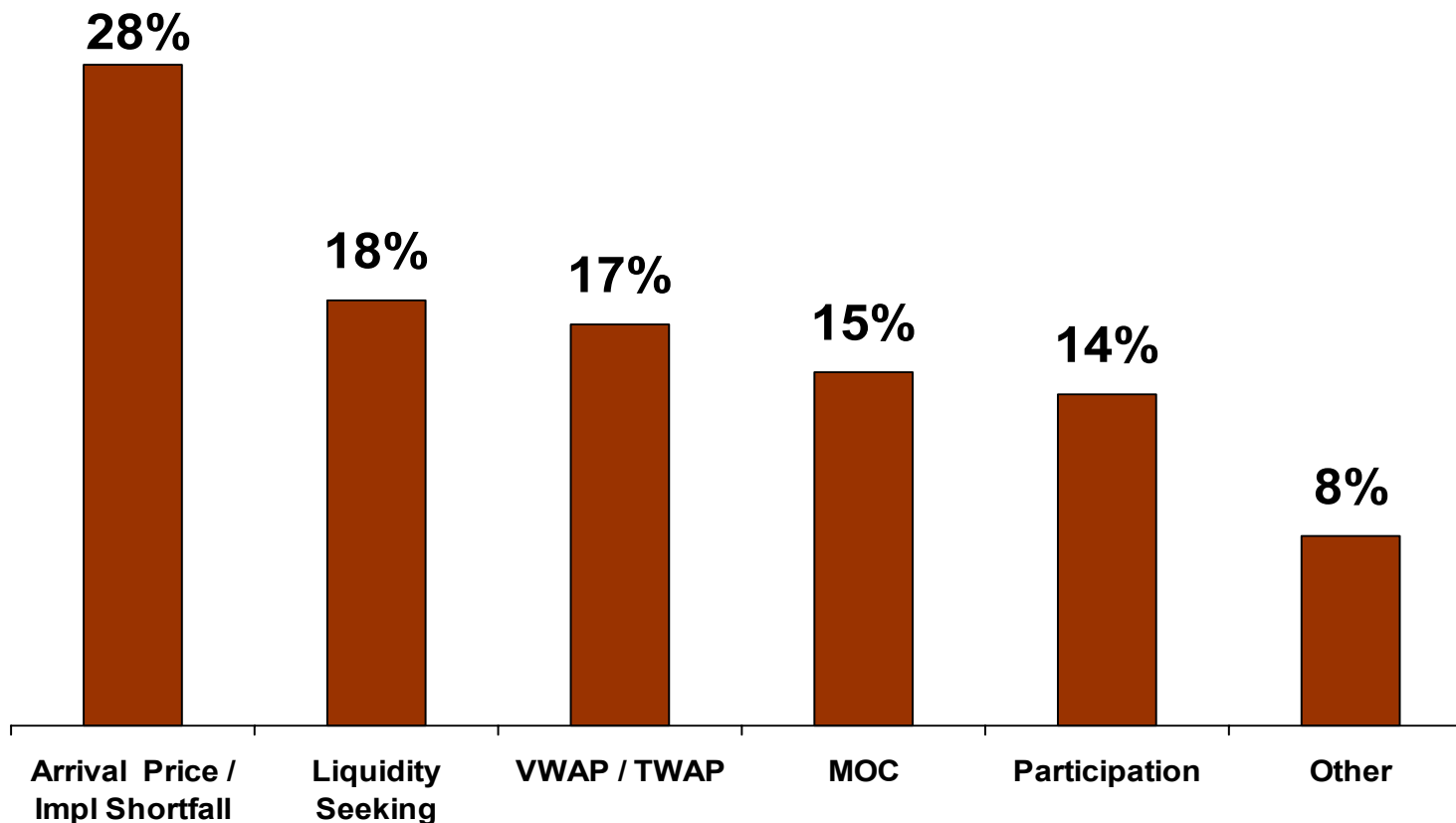
Adoption Rate of Algorithms (By Region)



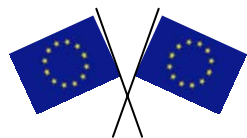
Source: 'European Equity Trading 2008'
Tabb Report



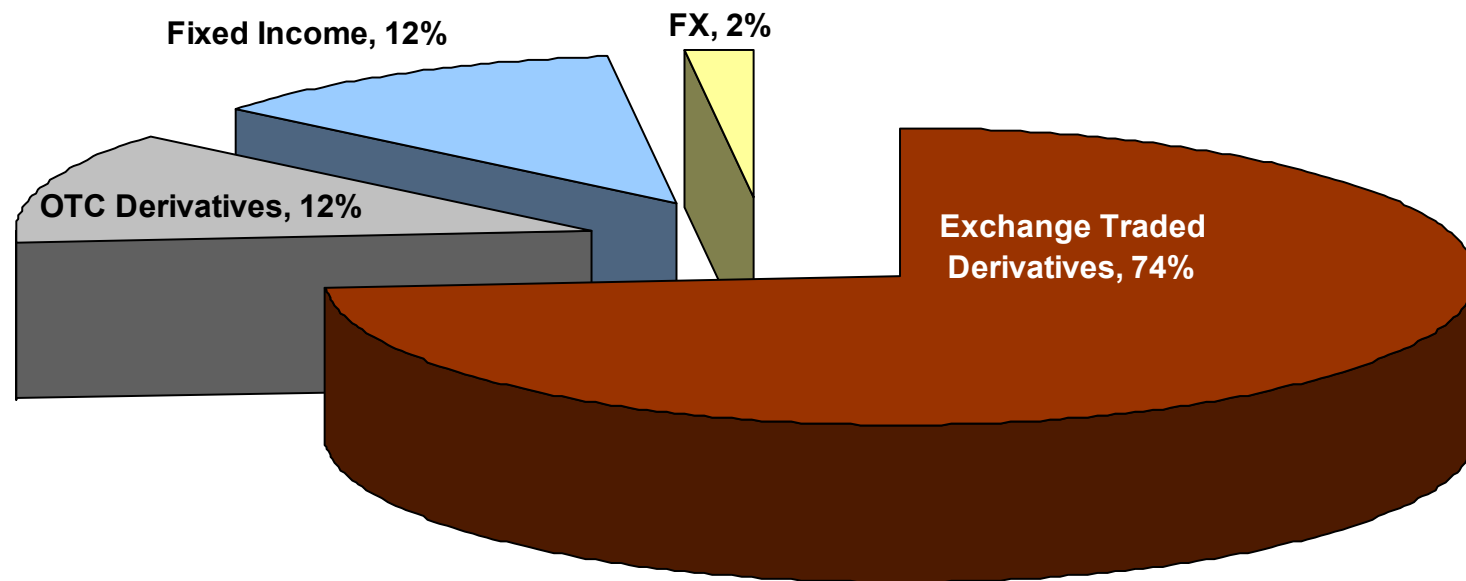
Percentage of Flow Through Algorithms



Source: 'European Equity Trading 2008'
Tabb Report



What Derivatives Do You Trade?



Source: 'European Equity Trading 2008'
Tabb Report



In summary.....coming your way



- Continued growth in buy side electronic trading
 - ◆ Use of CSA's to provide a means of unbundling payment for research and payment for execution
- Competition between exchanges and new trading venues
 - ◆ liquidity fragmentation
 - ◆ new, faster, cheaper “exchanges”
 - ◆ dark liquidity order types
- Smart routing becomes key to successful execution
- Electronic trading model moving into other assets



© 2008 Instinet, LLC and its affiliated companies. All Rights Reserved. INSTINET is a registered service mark in the United States and other countries throughout the world. Instinet, LLC is a subsidiary of Instinet Incorporated, which is itself a wholly-owned subsidiary of Nomura Holdings, Inc., and is a member FINRA/SIPC. Approved for distribution in Europe by Instinet Europe Limited which is authorized and regulated by the Financial Services Authority.

This information is provided for informational purposes only. It does not take into account the particular investment objectives, financial situation, or needs of any individual or entity. Under no circumstances is it to be used or considered as an offer to purchase or sell any security, or as a solicitation or recommendation of the purchase, sale, or offer to purchase or sell, any security. While the information has been obtained from sources deemed reliable, neither Instinet nor its licensors, nor any other party through whom the user obtains any such information: (i) makes any guarantees that it is accurate, complete, timely, or contains correct sequencing of information; (ii) makes any warranties with regard to the results obtained from its use; or (iii) shall have any liability for any claims, losses, or damages arising from or occasioned by any inaccuracy, error, delay, or omission, or from the use of the information or actions taken in reliance on the information. Reproduction or redistribution of this information is prohibited except with written permission from Instinet. System response times may vary for a number of reasons including market conditions, trading volumes and system performance.