

Best Execution with Quote on Demand

Taking ETF and ETP Trading to New Levels of Efficiency

With Quote on Demand (QOD), SIX Swiss Exchange offers an on-exchange RFQ solution that increases trading efficiency and helps reduce transaction costs. Discover how Vontobel used QOD for ETFs (exchange-traded funds) and ETPs (exchange-traded products) to achieve superior results for the benefit of its clients.

Trading ETFs and ETPs – Rising Demands in a Challenging Environment

Lit order books provide price transparency, immediacy of execution and passive liquidity placement opportunities. In contrast, RFQ mechanisms offer price improvement opportunities for aggressive orders at the expense of immediacy of execution. Navigating the effective use of these two mechanisms in conjunction with each other provides performance opportunities and best execution within the ETF and ETP securities universe.

Vontobel leverages SIX QOD to supplement its liquidity sourcing capabilities. By automating the workflow which interacts with QOD, Vontobel can improve the execution outcomes for clients in an efficient and scalable way, whilst remaining in a central counterparty (CCP) cleared and interoperable post-trade environment.

Quote on Demand – The Offering

The QOD trading service supplements the existing ETF and ETP lit book – the so-called Quote Driven Market (QDM) – and offers institutional investors the option to directly issue quote requests as part of a bidding process with the most important, registered liquidity providers in Europe. Requestors may choose between different trading modes that allow for fully automated or manual execution. All trades are automatically published by SIX Swiss Exchange straight away and are shown as “Request for Quotes”. As is the case for conventional

ETFs and ETPs trading at SIX Swiss Exchange, QOD allows seamless settlement via a CCP and offers trading, clearing and settlement with fully automated straight-through processing (STP). Thanks to the option to interact with the existing lit order book using the sweep order type, QOD provides access to additional liquidity.

Vontobel and Quote on Demand – A Success Story

“We want to provide our clients with best execution and, if possible, fully automate the execution. This is possible today with the QOD trading modes *Auto-Execute Or Cancel* as well as *Auto-Execute and Optional Discretion*”, says Roman Würsch, Head Trading Product Development at Vontobel.

Auto-Execute Or Cancel automatically handles Vontobel's flow and executes an order within an auction time of one second or less. *Auto-Execute and Optional Discretion* works in a similar fashion, with the request going into discretionary mode with a maximum runtime of 5 minutes if no match is made within the first second. The possibility of automatic execution remains if the matching conditions are met in the discretionary phase – during which traders can also choose to execute manually. With QOD, orders come about in full-size with a single trade and without pre-trade transparency. Market signals are also kept under the radar during the course of the auction.

QOD's interoperable STP capability effectively lowers costs and mitigates risks associated with late settlement and fail trade situations compared to conventional RFQs which are not supported by CCPs. Vontobel, which conducted its QOD development in-house, was able to tailor the capabilities of the service according to their needs. The firm further customized the existing logic so that unfilled requests are automatically forwarded as orders in the lit book. The result is an efficient solution which further contributes to streamlining Vontobel's interfaces with SIX Swiss Exchange – from trading right through to settlement.

Delivering Positive Results

Since joining QOD, Vontobel has achieved significant price improvements over the widely used benchmark EBBO (European Best Bid and Offer). Vontobel therefore benefits not only from the automation of the entire process chain and the associated cost savings, but also from the opportunity to trade at attractive prices only available



“ Being able to trade passive investments with no fees on a regulated exchange is a game changer. ”

Roman Würsch, Head Trading Product Development at Vontobel

on QOD. “We believe that today we can offer our clients a better execution with QOD and the service meets Vontobel's high quality requirements”, he concludes. The service has continuously gained traction over the past few months and saw additional liquidity providers connecting to it. SIX Swiss Exchange looks forward to continuing its close collaboration with Vontobel further supporting the firm as it looks to achieve their execution goals using QOD.

Next Steps

Financial institutions of all stripes are facing several cost challenges so the ability for them to achieve best execution will be critical to their wider success and overall attractiveness. By leveraging QOD, best execution will become feasible and more straightforward. In order to find out more about QOD and how it can support your business, please reach out to our [experts](#) at SIX Swiss Exchange.

Further Links

[QoD Explained](#), [Newest listings](#), [Overview ETFs](#), [Overview ETPs](#), [ETF Explorer](#)

About the ETF & ETP Segments on SIX Swiss Exchange

The Swiss Stock Exchange recently celebrated its 20th ETF anniversary: It was one of the first European exchanges to introduce an ETF segment in 2000. Since then, the trading platform has been refined, trading modalities enhanced, and its product range continually expanded. These innovations have led to the Swiss Stock Exchange becoming one of Europe's three leading ETF trading venues. This is reflected in the size of the market. As of the end of December 2021, 1,561 ETFs were available to investors on SIX Swiss Exchange, while Q4 saw a further 42 ETF listings. ETP activity has been equally buoyant on SIX Swiss Exchange. In 2021, six new ETP issuers listed on the exchange, while trading volumes stood at CHF 6.5 billion, corresponding to a 690% year-on-year increase.

About Vontobel

Vontobel is a globally active investment firm with Swiss roots, specialized in wealth management, active asset management, investment solutions and trading services. To guarantee best execution for its sophisticated client base, the firm relies on accessing the necessary liquidity at the best price possible. Vontobel continuously invests in automation and enhancements of existing and new trading services to further improve quality standards and streamline processes. Vontobel recognizes the potential of the new QOD service and has been using the service since early 2021.

Vontobel Holding AG shares are listed on the SIX Swiss Exchange and majority owned by the founding family. Their close ties to the company guarantee entrepreneurial independence and the resulting freedom creates an obligation to assume social responsibility. As of 30 September 2021, Vontobel held CHF 292.9 billion of client assets, served from 26 world-wide locations.

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