

MULTILATERAL TRADING FACILITIES (MTFs)

Why on-venue trading is the better alternative

Interview with Tobias Stöhr, Sales Executive at Spectrum Markets



We have asked Tobias Stöhr, Sales Executive for Spectrum Markets about Multilateral Trading Facilities (MTFs) and why on-venue trading is the better alternative.

Most retail clients in Germany still trade over-the-counter. Why is that?

Traditionally not all brokers offer their private customers a trading platform for execution in Germany. And if they do, many private customers perceive it to be associated with fees and inferior conditions. However, this is not the case.

What are the alternatives to over-the-counter trading?

Retail investors can choose their broker according to which execution options they offer. One of the options is on-venue execution. In the case of on-venue execution, the broker should offer a platform partner who, in turn, does not charge any transaction costs that the broker then passes on to the retail investor.

In addition, it should be a trading venue that is subject to regulation, because it has to meet high requirements: for example, pre-trade transparency – that means, the obligation to continuously publish the current bid and ask prices and also the market depth of the tradable securities.

What are the benefits for retail investors?

A regulated trading venue offers a protective legal framework and the private investor gains two advantages:

- They can see the actual tradable volume at the set limits on the bid and ask side.
- In addition to this transparency with regard to pricing – which is impossible off-venue – they can, compare trading venues with each another and determine which one is able to provide the highest liquidity.

As a retail investor you should ensure that you only select platforms that do not require you to pay extra for market data in real time. Even if this is not shown separately in most cases – it is seldom free anywhere else.

So, do retail investors only have the main stock exchanges to trade?

No. The regulation of the past few years made it possible for trading venues such as multilateral trading facilities – in short: MTFs – to be set up.

They are subject to the same strict regulations as stock exchanges in terms of transparency, security and operational stability. Just like exchanges, MTFs have no discretion about the execution of an order. That means, if a buy and a sell order match, they have to be connected. An MTF is also not allowed to conduct proprietary trading and can therefore not position itself between customer orders to make a profit.

Just as important, however, is the degree of specialisation: On the basis of the latest technological standards and newly implemented, regulatory-compliant processes, younger trading venues can implement leaner structures and focus much better on certain core target groups and products. This makes them efficient, innovative, inexpensive and definitely a better alternative to the stock exchange than over-the-counter trading.

Thank you!

Get in touch today to discuss how we can help you to grow your retail client business.

Please don't hesitate to get in touch if you wish to receive further detail.

spectrum-markets.com

Tobias Stöhr

Sales Executive
+331 70 98 17 82
thibault.gobert@spectrum-markets.com

Spectrum is the trading name of Spectrum MTF Operator GmbH. Headquartered in Frankfurt, Germany, we offer a new way of dealing in leveraged products for the European retail market; introducing a purpose built 24/5 lit trading venue, with complete transparency, increased choice and maximum control