

Q&A with MTS CTO Fabrizio Cazzulini

What have been the major themes in fixed income this year?

In fixed income, innovation continues to be a key theme driving one of the most significant periods of digital transformation I've witnessed in my career. Not since the emergence of electronic trading over 30 years ago have we seen technology have such an impact on how the bond markets operate.

Whatever your institution and wherever you sit, be it back, middle or front office, in 2018 technology will have undoubtedly changed the way you operate.

In the fixed income markets, 2018 was a challenging time. However, we were pleased to see that our platform performed well, providing traders with the stability and certainty that they needed to trade with confidence.

Meanwhile, regulatory compliance is increasingly complex, costly and time-consuming, and the introduction of MiFID II earlier this year has ensured it remains at the top of the agenda. Innovation has always been part of our ethos at MTS, and as ever our focus this year has been on delivering the tools to help traders navigate these market conditions and regulations more efficiently, while maximising their profitability.

At MTS, we take a sustainable approach to innovation, drawing on our extensive experience and heritage to incrementally introduce new products, features and services that add real value to the end user rather than tearing up the rulebook unnecessarily. This philosophy will continue to define our approach as we head into 2019 and beyond.

What have been the main focus areas for MTS's innovation in 2018?

This year we have invested a significant amount of energy into redesigning the interface for our dealer to client platform, MTS BondVision. As well as creating a new, modern aesthetic for the interface, we wanted to put the most valuable features in the platform, such as the interdealer data, front and centre to make it easier and more intuitive to use.

As part of the update to BondVision, we also created a new Auto-Execution tool for BondVision, one of a number of important projects this year which focused on automation.

Typically, buy-side fixed income desks break their trade down into 'low touch' straightforward trades and more complex 'high touch' trades. These low touch trades can be manually intensive to perform and yet are often relatively routine. Automating them on MTS BondVision can free traders up to spend their time handling more complex high touch trades, improving their efficiency, productivity and profitability.

Auto Execution allows buy-side participants to seamlessly upload orders for low-touch execution, directly from their OMS. MTS BondVision then automatically handles the RFQ and execution process based on pre-set parameters in the rules engine.

More than twenty auto execution parameters, adjustable in real-time, can be configured directly from the new MTS BondVision trading platform. This gives traders a maximum level of control whilst allowing them to reap the efficiency benefits of automation. The feature gives buy-side firms a user-friendly method with which to build advanced trading models and workflows for automated order execution across a number of asset classes. In a market where productivity is becoming a real focus for firms, the tool allows low-touch trades to be dispatched with minimal effort.

Over the past year, we have greatly expanded the functionality of our platforms with innovative new automation tools on BondVision and BondsPro.



How do your data products support automated trading?

Of course, when it comes to automation, good quality, low latency and comprehensive data is critical. Furthermore, data is a crucial pre-requisite to comply with regulatory and best execution requirements. As such, provision of high-quality market data remains another key focus area for MTS.

The reason we place so much importance on data in the age of automation is straightforward: while a human trader can use intuition to guide themselves through unexpected market volatility, automated trading tools can only rely on the information that they are being fed. This data needs to be representative of the entire market, thoroughly cleaned and delivered at high speed if it is to facilitate successful automated trading on electronic platforms.

To meet this need, this year we have continued to enhance MTS Live, our ultra-low latency data distribution facility. The service provides our market participants with a complete and un-aggregated order book with every visible price and order for the most liquid bonds traded on MTS Cash, the leading interdealer market for European government bonds. MTS Live supports highly granular un-aggregated data by providing users with every price and all order information submitted to the MTS matching engine.

Our data provides actual traded prices or executable prices – never indicative – that are live on our platforms. It is sourced from a diverse trading community which generates an average of 60 million quotes per day. The majority of the electronic Euro-denominated government bond market volume has been traded on our markets for over 30 years, therefore our data can be regarded as a highly accurate representation of trading data in these markets.

The need to access more data more quickly is becoming paramount for all institutions. How is MTS supporting them to achieve this?

Our co-location service delivers the ultimate option in terms of low-latency connectivity, allowing our customers – including market participants, market data users and authorised Network Service Providers – to host their servers within the primary MTS data centre, thereby putting them as close as possible to trading and market data systems. Co-location can be the single most significant factor affecting data latency, so this will continue to be an area we invest in heavily over the coming years.

As we move into 2019, the amount of data which firms are handling is only going to increase. This will create challenges, as systems will need to be robust enough to handle larger data flows and automation tools will need to be perfectly tuned to help traders sift through that data to find relevant insights. However, it will also create many new opportunities to harness an even richer source of data for analytics.

Take SFTR as an example, the so-called 'MiFID II for repo'. The regulations, which we have been investing significant resources in preparing for, create very significant new reporting requirements. The regulation requires firms to submit more than 100 data points for a trade electronically. Therefore, in addition to updating both MTS BondVision and our dealer to dealer repo platform to be compatible with SFTR, we are looking at how we can support clients to take advantage of their newly available data.

Any final thoughts?

We are going to be talking about these trends - automation, low-latency data and analytics – for a long time to come. They are reshaping the fixed income market in quite profound ways.

We are very focused on ensuring that our services take account of the needs of the trader today and are constantly being improved. Above all, however, we have prioritised stability. We've been working in fixed income for 30 years now and a large part of our success has been because we run a market which traders can trust. As we continue to innovate, we'll ensure that we never compromise on that fundamental need for a robust, certain and stable market.

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