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## Brokerages Save \$140M On Dark Pool Execution

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Larry Tabb

Executing orders through dark pools saved brokerages more than \$140 million in execution, clearing and settlement fees last year, according to a recent **TABB Group** study. Brokerages typically route orders to their internal or affiliated dark pools before routing to an exchange to save on transaction costs if an internal match is found. “We compared matching fees with clearing fees and made the assumption based on the fact that about 10% of order flow was executed in the dark pools last year,” said **Larry Tabb**, founder and author of the study.

Execution fees at many exchanges are already as low as \$0.0030 per share, which translates to about \$2.04 million a day. By avoiding the exchanges whenever possible, brokerages spend about \$1.61 a day, TABB found. However, the brokerage would be losing out if it did not route to ECNs, which frequently have promotions and discounted prices; for example, **Direct Edge**'s EDGA engine, which targets retail orders, charges nothing to execute. If the brokerage relied solely on ECNs, it would spend about \$320,000 a day, versus \$390,000 that would be spent on combined ECN and dark pool use. Executing solely through dark pools would cost about \$120,000 a day, which would increase slightly to \$130,000 if non-broker dark pools were used. “Fragmented markets will become the norm, and it’s in the best interest of brokers to manage execution accordingly,” Tabb said.