

How to Avoid the Pain of High Frequency Trading in Canada

In talking to dozens of traders over recent weeks, the issue we hear most about is high frequency interference in more liquid stocks. By the time a trader has shown a little too much interest in a name, the main booking market becomes populated by a slew of orders, forcing the trader to wait in the queue or pay the take fee and the bid/ask spread. Firms with the latest trading technology, and with algorithms designed to anticipate where the natural liquidity is going, are racing to post first in order to win the rich “passive” rebates.

There is a simple way to end-run this interference and we continue to be surprised more traders aren't trying it out.

Since Omega pays no passive rebate, we are uneconomic for high frequency trading shops used to earning around 1/3 cent per share. And since one-third of Omega's connected brokers are now routing first to Omega whenever we are tied at the best price (to take advantage of our absurdly cheap execution cost of 7 cents per trade), orders posted on Omega can get filled ahead of orders posted on all of the other marketplaces.

It is time to use the multiple-market best-price regulatory environment to your advantage. If you have an order booked on Omega and it is the best price, others must route to it. Traded volume on Omega is irrelevant - better-priced orders must be routed to first. If your quote is tied with other marketplaces at the best price, you will be filled first by the brokers who route their active flow to Omega first. And there are no high frequency algorithms stepping in front of you on Omega.

At Omega, we have spent over a year-and-a-half connecting the bulk of the Canadian brokerage industry to us. And following our recent price change, we have convinced many of them to route their active flow to us first whenever we are tied at the best price. This liquidity distribution network is available for your use every trading day.

Don't take our word for it – try booking some of your limit orders to Omega and see where you are getting better fills.

Sincerely,

Mario Josipovic
President
Omega Securities Inc.
416.646.2765

Greg King
Chief Operating Officer
Omega Securities Inc.
416.646.2764