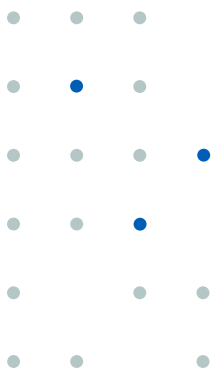




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"Evolution of 24/5 Alternative Trading Systems: The Role of Proprietary Trading and Market Makers"



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A background image showing a financial market data screen. It features a red line graph on the left, a blue bar chart on the right, and various numerical values and percentages. Text visible includes "UK large cap stocks", "6.95", "6.83% (£1.98) Today", "0%", "-2%", "-4%", "MAX", "TY", "TM", and "70".

Introduction

Due to the rapid evolution of global financial markets, the landscape of trading and investment has undergone significant transformations.

Central to this transformation are proprietary trading and Alternative Trading Systems (ATs).

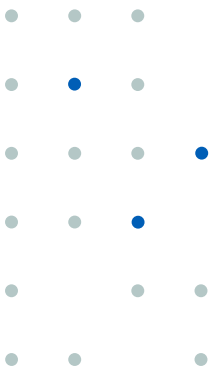
This paper aims to examine these topics and emphasize their relevance, challenges, and advantages in today's financial arena, which is shifting to 24/5 trading hours.

Proprietary Trading: An Overview

Proprietary trading, often referred to as "prop trading," entails financial institutions or individuals trading stocks using their own capital, targeting direct profits, rather than using clients' funds.

Key Features:

- **Risk and Reward:** Profits directly benefit the trader or institution, with the same entity absorbing any losses.
- **Strategies:** Prop traders leverage various tactics like scanners, trend following, and market making to optimize profit avenues.
- **Leverage:** Amplification of potential returns is achievable through high leverage.

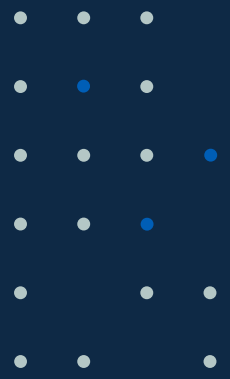


Alternative Trading System (ATS): A Modern Trading Avenue

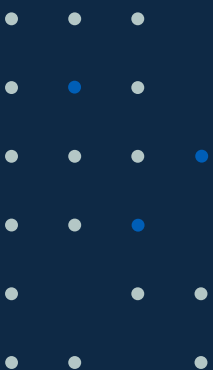
ATS is a trading platform that connects buyers and sellers, functioning outside traditional exchanges, and is more akin to broker-dealers in its regulatory stature.

Key Features:

- **Flexibility:** ATS platforms match buy and sell orders, with minimal rules, focusing mainly on market integrity.
- **Dark Pools:** Certain ATs enable discreet trading with concealed orders, preventing immediate market price impacts.



- **Technological Edge:** Most ATS platforms employ cutting-edge technology, supporting algorithmic trading and a range of order types.
- **Fee Structures:** ATs can offer unique fee structures, potentially saving costs for users compared to standard exchanges.
- **Regulation:** Although not regulated as exchanges, they remain under stringent regulatory purview, with bodies like the SEC in the U.S. overseeing them.





Prop Trading vs. ATS: A Comparative Analysis

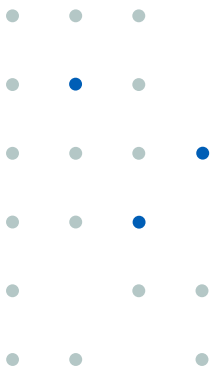
While both prop trading and ATs serve the broader financial market, they cater to distinct core purposes:

- Prop trading aims at deriving direct profits via active trading.
- ATs offer platforms for efficient trade execution, accentuating liquidity provision and trade matching and they cater to proprietary trading firms as a point of execution.

Market Makers in an ATS: A Critical Component

In the context of U.S. ATSs, market makers assume a pivotal role:

- **Liquidity Provision:** They ensure market liquidity by committing to securities' buy and sell activities.
- **Price Stability:** Through constant trading activities, market makers help in curbing price fluctuations.
- **Profit Strategy:** The bid-ask spread remains a significant profit source for market makers.
- **Order Flow Facilitation:** Within ATSs, market makers can pre-match orders internally, bypassing the broader market.
- **Competitive Environment:** The presence of multiple market makers in ATSs can enhance trading conditions, leading to better price points and tighter spreads.

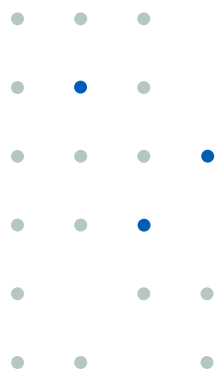


The Rise of 24/5 Market Hours

- With technology advancements and the interconnectedness of global financial markets, there's a burgeoning demand for trading platforms operating 24/5, notably in regions like Asia.

Advantages

- **Real-time Market Response:** Immediate reactions to global financial updates become feasible.
- **Enhanced Liquidity:** Continuous operations can allure a diverse participant pool, potentially augmenting liquidity.
- **Robust Technology Needs:** Operating 24/5 demands resilient technical infrastructure to ensure continuous uptime, real-time data processing, and robust security mechanisms.



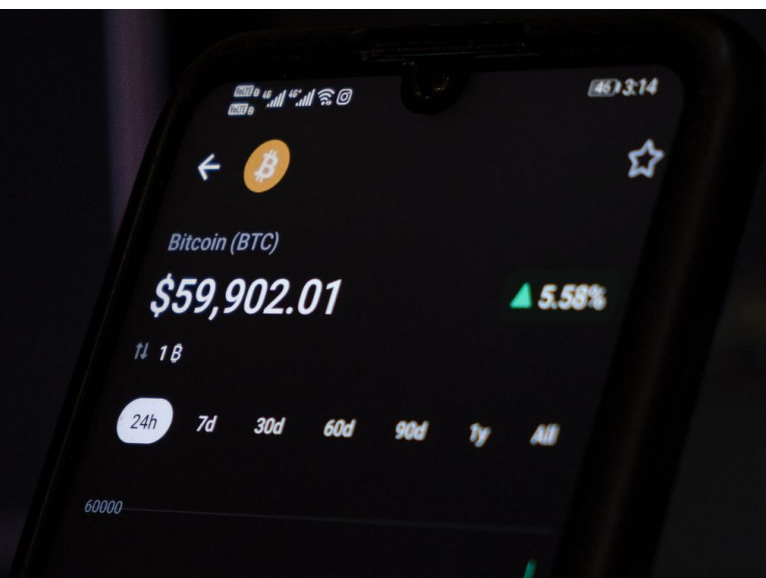
Summary: Benefits of Combining Proprietary Trading Firms and Alternative Trading Systems

In the evolving landscape of global financial markets, proprietary trading, and Alternative Trading Systems (ATs) stand as central pillars.

While proprietary trading focuses on achieving direct profits, ATs emphasize efficient trade execution and liquidity. Market makers in ATs play a crucial role in ensuring liquidity, stabilizing prices, capitalizing on the bid-ask spread, and even pre-matching orders for better trading conditions.

Furthermore, with the rise of 24/5 market operations, especially in Asian regions, the demand for continuous trading platforms has surged. These platforms allow real-time market responses and potentially enhance market liquidity.

In conclusion, the integration of prop trading firms with ATSS offers a powerful combination. It marries the profit-driven objectives of prop trading with the technologically advanced, flexible, and efficient trading avenues of ATSS. Especially in a 24/5 trading environment tailored for the Asian market, this collaboration promises unparalleled access to global stock markets, presenting a game-changing opportunity for seasoned traders.



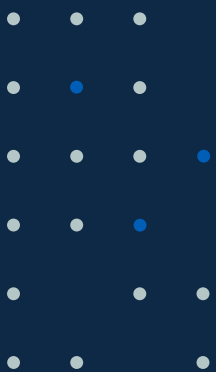


**Fundamental
Interactions offers a
new Paradigm in
Enterprise 24/5
Trading Market
Center Technology to
meet 21st century
market structure**



The solution serves as a high-performance matching engine tailored for global deployments. It boasts a vast array of features for Alternative Trading Systems, bolstered with state-of-the-art matching algorithms, smart routing order routing capabilities and market data distribution functionalities.

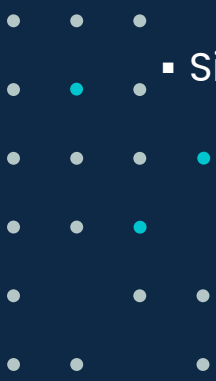
Designed to monitor institutional and proprietary Direct Market Access (DMA) orders dispatched to an Alternative Trading System, while actively searching for internal and external crossing opportunities on other market centers. It seamlessly handles a mix of orders: Directed orders that are present in the marketplace and resting orders termed as "Smart Orders" within the system that are routed to external trading venues for crossing opportunities





Market Center Technology

- Matching Engine for Alternative Trading System and Dark Pool.
- Micro-second latency, 100% fault tolerant with tertiary failover and scales to millions of executions per second.
- Direct routing to internal market and external venues via Smart Router automating best execution across multiple external market centers.
- **Rapid provisioning:** computer and networking infrastructure for a matching engine without investing significant CAPEX for hardware to place in colocation.
- A full end-to-end deployment can be up and running in hours — so you can be faster-to-market with launch our matching engine infrastructure.
- Significant discount to rival vendors.



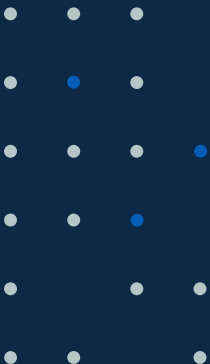


Securely connect, deploy and scale:

Enable a data center platform that brings users, networks, applications, and cloud systems all together in a simple deployment. Implement a disaster recovery site quickly with control over hardware configuration and network design. Quickly scalable software-as-a-service (SaaS) offering to improve performance, with proximity to other financial companies.

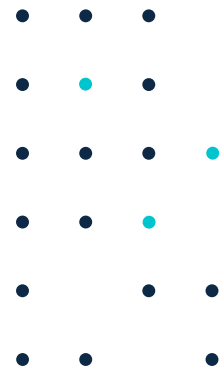
Security:

100% dedicated single-tenancy, so you can isolate sensitive workloads and access hardware-level security protocols.





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