

VIEWPOINTS

A Charles River® Conversation

Improving
Fixed Income
Liquidity
Access and
Efficiency
with LTX in
Charles River

Harnessing AI-driven Insights



The search of liquidity in fragmented fixed income markets has spawned over a hundred venues globally, some of which offer new trading protocols and approaches to liquidity discovery and trade execution.



Mary Beth
Sweeney
Head of Product, LTX



Vidya Guruju
Director of Product
Management, Charles River

Charles River's open architecture and interoperability with liquidity venues streamlines fixed income trading for institutional investors, enabling clients to benefit from the latest innovations offered by these venues.

In this article [Mary Beth Sweeney](#), Head of Product at LTX and [Vidya Guruju](#), Director of Product Management at Charles River, sat down with [Frank Smietana](#), Head of Thought Leadership at [State Street AlphaSM](#) to discuss the partnership between [LTX](#) and [Charles River](#), LTX's use of AI and data science to drive more informed decision making in corporate bond trading and how this helps clients trade larger, less liquid positions with greater confidence.



Frank Smietana
Head of Thought
Leadership,
State Street Alpha



FRANK: Give us an overview of LTX and your technology, and how that differentiates you from other fixed income liquidity venues?

MARY BETH

LTX is a data-driven corporate bond e-trading platform that combines powerful AI with enhanced execution capabilities. Our data and AI offering includes our [Liquidity Cloud®](#), Similar Bonds tools, Dealer Selection Scores for the buy-side, and Client Recommendation Engine for dealers.

In addition to providing AI-driven pre-trade insights, the core LTX offering includes our innovative execution protocols which facilitate more efficient trading of large sizes. Our [RFX®](#) protocol is unique in that it facilitates efficient liquidity aggregation, connecting natural counterparties while keeping the dealer at the center. And in response to client feedback and to complement RFX, our RFQ protocol enhanced by AI-powered dealer selection assistance was recently introduced.

As a [Broadridge Company](#), LTX is uniquely positioned to provide trusted, data-driven credit trading solutions. Our goal is to use the various datasets at our disposal to optimize efficiency of execution, helping market participants make more informed trading decisions and driving further electrification.

FRANK: What's the rationale for our partnership with LTX?

VIDYA

Charles River is constantly evaluating new venues that can help our buy-side clients access liquidity, achieve best execution and minimize information leakage. Our FIX network enables seamless connectivity to hundreds of venues and brokers, which provides traders with a broad range of options to support the asset classes and securities they trade in.

LTX offers a unique protocol that fits well with our objective of offering a broad array of liquidity protocols to our clients. This led to our partnership, and multiple clients have expressed interest in trading on LTX via our Order and Execution Management System (OEMS).

Our AI-powered Dealer Selection Scores help buy-side traders choose the optimal dealer for a particular trade.

FRANK: Can you elaborate on how LTX uses AI to improve decision making for traders and portfolio managers?

MARY BETH

We leverage AI in several ways to help our clients identify opportunities and help reduce information leakage. This includes analyzing thousands of buy- and sell-side indications of interest in our Liquidity Cloud® to produce Cloud Match Scores, which identify and alert real-time contra interest for a trade. Cloud Match Scores update dynamically to reflect changes in liquidity conditions and display the likelihood of getting any trade done based on the price strength of the Cloud Match.

Our AI-powered Dealer Selection Scores help buy-side traders choose the optimal dealer for a particular trade. In conjunction with RFX, the Dealer Selection Score helps the user connect with a real-time natural counterparty, whether the dealer or a client(s) within the dealer's network. When used for RFQ, the Dealer Selection Score helps optimize the number of dealers that an RFQ is sent to.

Our patent-pending Similar Bonds functionality helps identify bonds with similar characteristics that have real-time contra-interest for a given direction, size, and price. In the absence of liquidity, users can assess the Cloud Match Scores of similar bonds to generate actionable new trade ideas and capture relevant opportunities.

A central focus within LTX is to expand liquidity accessibility enhancing dealer relationships and helping reduce information leakage. This may sound like a tall order, but by intelligently using data we can facilitate targeted transparency for the benefit of all trade participants.



FRANK: Can you give us an update on the state of our partnership and how clients are responding?

VIDYA

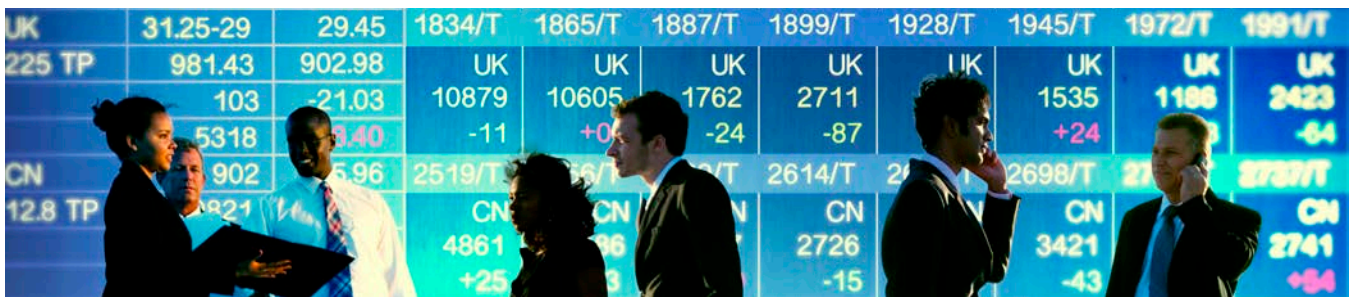
From the integration perspective, what's critical for clients is screen real estate. Nobody wants to have 15 different liquidity venues open on their monitor, so integration with the OEMS really helps that.

High quality information is also important for trader productivity. Our solution only alerts clients to access LTX when there is demonstrated contra interest for their proposed trade.

MARY BETH

We've seen exciting progress both here at LTX as well as with our partnership. It's expanded significantly in recent months. We completed the initial integration in 2022, enabling us to access IOIs from the Charles River OEMS, and from there, perform order staging.

By gaining that information, we can service our clients with a more robust Liquidity Cloud that produces more Cloud Matches and more real time contra interest. We've established a forum for joint client feedback on the integration and how that would bring the most value to traders.



FRANK: What are your priorities for 2023 with regards to pre-trade data and trading innovation, and what does your product road map look like?

MARY BETH

Recent strategic initiatives range across our AI and execution capabilities. In the coming weeks and months we'll be releasing these exciting data-driven enhancements that further our mission to help our clients trade smarter.

We are further developing our award-winning AI-driven analytics around liquidity assessment, dealer selection, and actionable similar bonds, and also building out our trade execution capabilities to facilitate more e-trading of larger sizes while reducing information leakage.

VIDYA

We continue to focus on two of our key strengths, a tightly coupled OEMS and our open architecture. They enable us to be agile, from helping us easily integrate third party providers like LTX, staying on top of advances in primary market trading, or aggregating market data to not only help support trading decisions but also to drive portfolio/security selection decisions.

Another key priority for us this year is direct dealer integration, enabling our clients to connect with their brokers directly to receive liquidity indicators, negotiate, and trade.

Charles River's architecture, which enables portfolio managers and traders to work off the same data foundation, inherently offers a high level of transparency between portfolio management and trading functions.



FRANK: How can we improve collaboration between fixed income traders and portfolio managers?

MARY BETH

We're building tools to help the portfolio manager and trader understand the best way to access liquidity. I mentioned our similar bonds functionality. There's a list of components that defines what makes a group of bonds similar. Say you are looking to trade a specific bond but there is currently no contra-interest on your bond. Our model will produce a list of bonds ranked in order of how similar they are to the one you're looking to trade.

If there's no contra-interest in the Liquidity Cloud® on that specific bond, but there is real-time contra-interest on a similar bond, perhaps there is still an opportunity for a trade.

That gives the portfolio manager access to unique liquidity metrics they can then pass on to a trader based on real insights and actual intelligence when it comes to the probability of that trade executing. We believe this adds real value to the portfolio manager/trader workflow.

VIDYA

Charles River's architecture, which enables portfolio managers and traders to work off the same data foundation, inherently offers a high level of transparency between portfolio management and trading functions. We are working on augmenting it by integrating with commonly used inter-company chat platforms.

FRANK: What are your expectations for corporate bond trading in 2023?

VIDYA

Greater automation, more advanced electronic order processing for new issues, better use of post trade analytics to inform trade decisions, and desktop interoperability will drive fixed income ecosystem expansion. We also see more innovation around better matching protocols to deliver best execution, and more issuance using distributed ledger technology.

MARY BETH

Around 40% of the Investment Grade bond market is now trading electronically¹. While electronification has certainly advanced over the last decade, we still have a way to go when we compare to other asset classes that are trading 80-90% electronically². We continue to hear from buy-side clients that trading large size is a challenge. Most say that they rarely, if ever, can execute their largest block trades electronically. In our view, 2023 will be the year that the challenge of block trading is addressed so that larger sizes no longer need to happen bilaterally and inefficiently.

Learn more about Charles River's Partner Ecosystem at crd.com/partners

Charles River Development, A State Street Company

Investment, wealth and alternative managers, asset owners and insurers in over 30 countries rely on Charles River IMS to manage USD ~\$48 Trillion in assets. Together with State Street's middle and back office services, Charles River's cloud-deployed front office technology forms the foundation of State Street AlphaSM. Charles River helps automate and simplify the investment process across asset classes, from portfolio management and risk analytics through trading and post-trade settlement, with integrated compliance and managed data throughout. Charles River's partner ecosystem enables clients to access the data, analytics, application and liquidity providers that support their product and asset class mix. We serve clients globally with more than 1,250 employees in 11 regional offices. (Statistics as of Q1 2023) Learn more at www.crd.com

LTX

LTX is a Broadridge company offering a new AI-driven digital trading platform for corporate bonds that empowers broker-dealers and institutional investors to trade smarter. Building on the market-leading data entrusted to Broadridge, LTX combines powerful AI with next-gen trading protocols that digitize complex processes to improve market liquidity, efficiency, and best execution. Our leadership team brings over 150 years of experience in fixed income trading, with deep expertise in electronic trading, data science and AI. Learn more at ltxtrading.com.

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¹ <https://www.greenwich.com/fixed-income/understanding-fixed-income-markets-2023>

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² <https://www.economist.com/briefing/2019/10/05/the-stockmarket-is-now-run-by-computers-algorithms-and-passive-managers>