Crisil
Coalition
Greenwich

Maneuvers in the Dark

Examining the Equity Market's Renewed Dark Pool Obsession

August 19, 2021

The equity market, it seems, is again obsessed with dark pools.

Alternative Trading Systems (ATSs) have recently seen investment and purchases at an astounding level.

In just the last few months we have seen the purchase of LiquidNet by TP ICAP, BIDS by Cboe, and a minority investment in Level by Nasdaq. New entrants like PureStream and Blue Ocean have gotten approval and begun trading with potentially differentiating trading strategies.

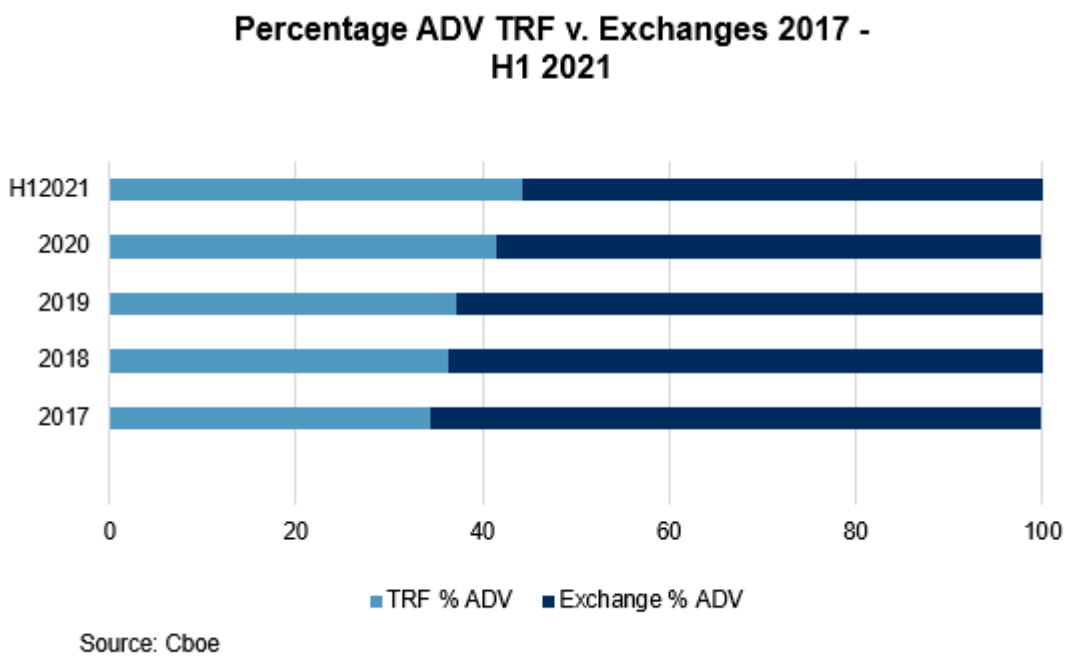
Clearly, dark pools are hot again.

At the same time, the level of scrutiny over what occurs in the dark has risen steadily. The battle lines drawn back in the Flash Boys days have also become reinforced. At times, the grenades being lobbed into the Twittersphere would have the world believe that sinister forces have taken over and that the end is nigh.

But before we start wearing clapboards around Times Square, it might be an opportune time to sit back, look at some data, and see if the sky is falling or not. (Hint, it's not).

Marching Forward

Looking at overall market volumes, it is true that off-exchange trading has grown as a percentage of overall market volume over the past few years. Volume reported to the Trade Reporting Facilities (TRFs) has grown from 34.49% of overall average daily volume (ADV) in 2017 to 44.29% in H1 of 2021. This nearly 10% growth has been fairly steady over the years, although accelerating recently:[1]



However, the movement of the volume from on-exchange to off-exchange is only the first part of the question. The more interesting question is – Where did it go? Fortunately, there are some pretty clear answers.

Marching in Place

ATSs (Dark Pools) percentage volumes have actually not risen in lockstep with the rest of the TRF's off-exchange bounty. In the past several years, ATSs' fortunes have actually seen something of a minor yo-yoing, with their percentage of market share dropping from 13.14% in 2017, to a low point of 8.54% in 2019, but climbing up to 10.64% in 2020 and 9.73% in Q2 of 2021. If ATSs aren't seeing the volume, who is?

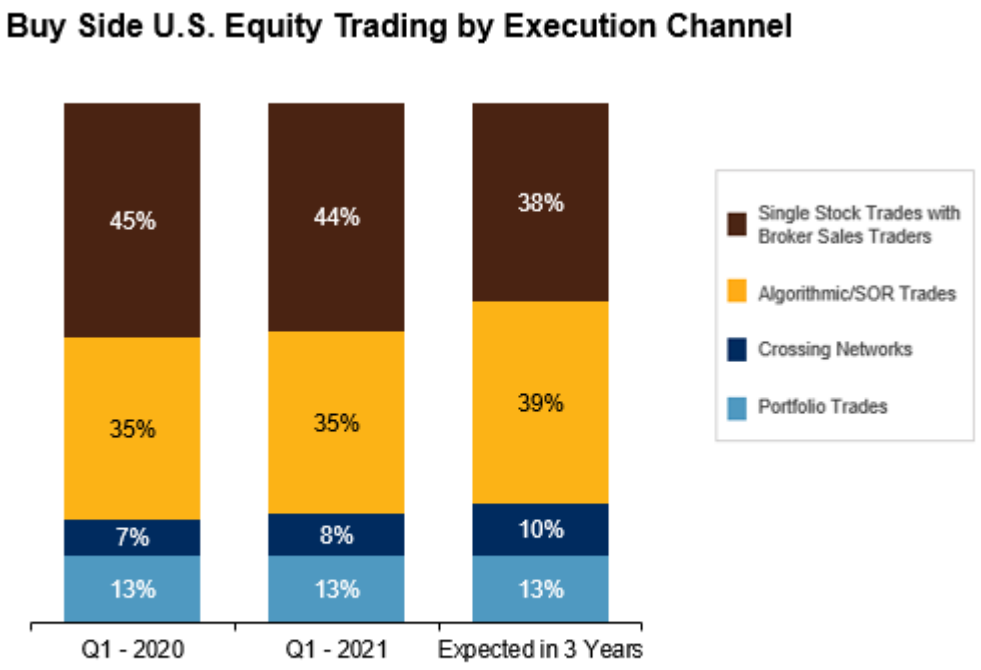
Leaving a Mark

The vast majority of the remainder of trading off-exchange occurs with the market makers. Although there is plenty of debate on the subject (and I mean plenty of debate), we still believe that the market has never been better for retail traders.[2] There are, of course, ways that the market can be improved, but retail traders have zero commissions, high levels of price improvement, extremely good trading technology, and generally a better trading experience than any time in history.

All of that said, there are other participants in the off-exchange trading world. There are Single Dealer Platforms (SDPs), bulge bracket banks, and all-in more than 200 firms that printed trades to the TRF in Q2 of 2021. Admittedly, some of those firms only print a few trades to the tape per month (or even only one), perhaps trade corrections or the like. Nonetheless, the fact remains that there is a vibrant community of firms that work in the off-exchange market.

Scouting Ahead

Buy-side institutions have been accessing dark liquidity since…well…forever. Our research shows that their views on accessing crossing networks has remained relatively stable over time. That said, we do see an anticipated increase in usage over the next three years across all sizes of institution participants. We also see a relatively large increase in the use of low touch/algorithmic access.



Source: Coalition Greenwich US Equity Investors 2021. Based on 102 total institutions.

With this data in front of us, one might well ask why dark pools have again been getting such strong attention. Coalition Greenwich data shows that both BIDS and LiquidNet have always ranked highly on our scale of "uniqueness" for liquidity, and Level has been hitting record volume numbers.[3]

In each case, these buyers are hoping to gain the precious commodities of additional flow and "synergies". An increase in low touch and algo trading may forecast an increased appetite for the crossing opportunities that ATSs have in their DNA.[4]

Whether these maneuvers pay off or not remains to be seen, but in the meantime, it is important to keep a clear head and not fall prey to fanciful memes about the terrors of the dark.

1 Source: Cboe
2 See, for example
https://www.greenwich.com/equities/impact-zero-commissions-retail-trading-and-execution
3 https://www.greenwich.com/equities/algos-atss-and-automation-equity-markets

4 Although, to be fair, the same is also true of the exchanges, which, by definition are where buyers and sellers are brought together to execute.

---

www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or

additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., a company of S&P Global. ©2026 Crisil Ltd. All rights reserved.