

## How Tradeweb Helped Vontobel Deliver Best Price in ETFs with Trade Automation

### The challenge

“As our ETF trading volumes increase, we need a trading process that is more efficient and with cheaper, tighter pricing”

– Michael Wenger

Zurich-based Vontobel provides multi-asset trading services to a diverse client base. To grow market share in a highly competitive environment, Roman Würsch head of trading product development is focused on continuously improving the quality of the firm’s trading services. A key priority is ongoing investment in – and refinement of – trade automation. “High quality execution at scale is critical because our business depends on delivering the best price to a wide and exacting client base – time and again” he explains.

An increasingly urgent challenge has been securing the scale and expertise required to trade exchange-traded funds (ETFs) cost-effectively. In January, specialist data provider ETFGI reported that European ETF and ETP (exchange-traded products) assets exceeded a combined US\$1 trillion by end-2019, across more than 2,100 funds and products from 70 providers, following net inflows of US\$125.25 billion during the course of the year.

To maximise liquidity opportunities on behalf of clients, Vontobel traded ETFs both on and off-exchange, but faced limitations on both fronts. With the OTC route, the firm’s traders were able to access deep liquidity, but the overall process proved time-consuming and lacked scalability. On exchange, ETF liquidity could prove more limited, Vontobel traders found, with trades generally proving more expensive.

“As our ETF trading volumes increase, we need a trading process that is more efficient and with cheaper, tighter pricing,” said Michael Wenger, head of equities and derivatives execution.

### The solution

Starting in 2015, Vontobel has been collaborating with Tradeweb to automate elements of its fixed income trading activities, using its automated intelligent execution (AiEX) tool to improve the efficiency of trading corporate and government bonds via the request-for-quote (RFQ) protocol. The initial brief was to design a solution that would cater for the various types of flow routed via Vontobel’s central fixed income execution desk. Tradeweb was able to deliver an outcome that fit both their specific execution objectives, while tailoring the rules to suit the type of order being submitted. Naturally, Vontobel began to explore whether Tradeweb could offer both the liquidity and the functionality to make its existing RFQ ETF trading processes more streamlined.



### Vontobel

Vontobel has CHF 288.4 billion in client assets under management as of 31 December 2019. They are active for their clients in 32 locations worldwide and in their home market of Switzerland. In addition to the investment and wealth management business, Vontobel is also a Zurich-based provider of multi-asset trading services to a diverse client base.

**Roman Würsch**  
Head of trading product development



**Michael Wenger**  
Head of equities and derivatives execution

With more than 20 of the world's leading ETF liquidity providers already connected to Tradeweb, Wenger was quickly satisfied that Vontobel would be able to reach the liquidity needed to serve its clients via AiEX.

The process of establishing rules and parameters for ETF trades was also straightforward, due in part to its similarities with those already established for trading cash bonds. Vontobel decided on the type of trades most suited to automated RFQs, then worked with Tradeweb to build the required parameters, including order size, number and type of counterparty, response times etc.

As well as working closely with Vontobel to understand their preferred trading style and fine tune the required functionality using AiEX, Tradeweb also collaborated with the firm on a new user interface. This is designed to help traders to monitor current orders – and if necessary tweak parameters in real-time – as well as analysing past trades to help optimise future trading activity.

To ensure a robust and cost-effective process for tapping ETF liquidity, Vontobel adopted AiEX as part of a 'waterfall' process. This automated decision tree would provide a range of options to the trading desk, should it not be possible to complete a trade via their most preferred route.

## The result

“We have seen a straight-through processing rate of more than 95% since using AiEX”

– Roman Würsch

Vontobel quickly found that trading ETFs via automated RFQ on AiEX delivered significantly improved outcomes in terms of price and scale. The majority of Vontobel's ETF trades have been executed successfully on AiEX since implementation, with just a fraction being completed using alternative routes. Würsch notes that “We have seen a straight-through processing rate of more than 95% since using AiEX” (Source: Vontobel, January 2020).

In common with the experience from other users, Vontobel has gradually increased the range of trades executed via AiEX over time, working in collaboration with Tradeweb to identify opportunities for expansion into other asset classes. As well as larger block trades, Vontobel and other clients are comfortable automating smaller clips via AiEX.

A crucial part of Vontobel's approach to trading ETFs is a feedback loop which ensures that lessons from past execution performance are quickly factored into future trading processes. To this end, Vontobel uses Tradeweb data via the exchange comparison report to tweak and refine RFQ parameters on AiEX to continually improve ETF execution performance.

“Vontobel is committed to innovation in order to deliver the best and most cost-effective service to our clients. As a pioneer in automation and liquidity provision with strong capabilities across multiple asset classes, Tradeweb is a natural partner. We look forward to further collaboration to keep our trading services at the forefront.” said Würsch.

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### TRADEWEB MARKETS

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