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## **All Speedbumps are Not Created Fair or Equal, Warns TABB Group**

### ***New research discusses whether speedbump markets are a viable market model or a passing trend***

**NEW YORK & LONDON, June 14, 2016** – Speedbumps are implemented to benefit liquidity providers by slowing down marketable orders to reduce the adverse selection risk of posting liquidity, as well as to dissuade fast traders who want to quickly post and cancel orders. To fully understand speedbumps, which have provoked tremendous debate, TABB Group believes you have to first understand speed, which is used primarily for capturing opportunity and managing risk.

In the latest TABB research, “[Speedbump Markets: Fair, Unfair or Just the New Fashion Accessory?](#)” report author and TABB CEO [Larry Tabb](#) covers the purpose, design, and impacts of speedbumps on financial markets, including reducing adverse selection, better pricing of pegged orders, and enabling an automated last look mechanism for OTC products. Informing the research is analysis of speedbump models from Aequitas Neo, CHX, EBS, IEX, ParFX, PDQ and TMX Alpha.

TABB explains the way speedbumps are implemented can be very different. Though generally employed to protect resting liquidity from adverse selection, when combined with different market data strategies and pricing mechanisms the pauses can be used to preference, protect, or even take advantage of different types of trading styles and strategies. As such, Tabb says each model will need to be carefully analyzed to determine its impact on a firm’s trading strategy.

While there are advantages for speedbump markets to become exchanges, doing so would also create significant complications depending upon the jurisdictional ruleset, including issues surrounding price discovery, best execution, order protection, and any retail/wholesaling execution guarantees.

“With the high-profile fight over speedbumps we are seeing in the U.S. equity market today, if the SEC approves a blanket 1-millisecond grace period and/or the pending [IEX exchange](#) is approved with its incorporated speedbump intact, it is highly plausible that the idea of developing and incorporating speedbumps into additional markets will gain significant traction,” continues Tabb.

The 19-page, 7-exhibit report is now available for download by TABB equities clients and pre-qualified media at <https://research.tabbgroup.com/search/grid>. For more information or to purchase the report, contact [info@tabbgroup.com](mailto:info@tabbgroup.com).

#### **About TABB Group**

With offices in New York and London, [TABB Group](#) is the international research and consulting firm focused exclusively on capital markets, based on the interview-based, “first-person knowledge” research methodology developed by Larry Tabb. For more information, visit [www.tabbgroup.com](http://www.tabbgroup.com).

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