

Orange LFI vs FFI

The Fidessa FFI calculation measures the post-trade fragmentation. The very simple calculation is based on observed, traded liquidity across European markets.

Example: a trade is executed on 3 venues, with the following split:

70 % on venue A
20 % on venue B
10 % on venue C

The liquidity fragmentation index for that trade is :

$$1/[(0,7*0,7) + (0,2*0,2) + (0,1*0,1)] = 1,85$$

Based on the same calculation method, the OrangeLFI calculates in real-time for each stock a pre-trade fragmentation index. However, instead of basing its calculation on observed trades it is based on theoretical market shares and optimal best price allocation according to the method used in all OrangeLFA statistics.

Displayed on the chart are both pre-trade OrangeLFI (full line) and post-trade Fidessa FFI (in dotted line).