What Is Last Look?

- Non-Firm Quotes (liquidity providers can step back)
  - Symmetric vs asymmetric thresholds
- Introduces *execution uncertainty*
- Equivalent to a knock-in option:

![Diagram showing P&L, Spot at t0, Upper Threshold, Lower Threshold, and Price at t1]
Arguments for Last Look

- Mechanism for controlling information asymmetry
  - Fundamental information
  - Latency arbitrage
- Liquidity providers can quote in greater depth and at tighter spreads
- Reduces price uncertainty (but introduces execution uncertainty)
Potential Issues with Last Look

- Designed to control impact of latency arbitrage *at a particular point in time*...
- … but has impact on trading performance over time.
- Release of private information about trading intentions to liquidity provider
  - ‘Pre-Hedging’
  - Retention of information about trading intentions
- ECNs vs RFQ processes
Managing Conflicts of Interest

- Monitoring and Benchmarking
  - Platform providers and ECNs’ role
  - Liquidity takers
    - Static characteristics: thresholds, evaluation periods, threshold symmetry
    - Quoting and rejection behavior
    - Post-rejection price action
- Transparency and codes-of-conduct
  - Evaluation period only for price comparisons
  - Implementation of Last Look Thresholds
  - Reasons for order rejection