

Online Appendix

to

“What is the value of retail order flow?”

For online publication only.

Table OA.1: Value-weighted effective spreads and decomposition - RMMs vs. PTFs

	(1)	(2)	(3)	(4)
Panel A: Effective spread				
<i>Intercept</i>	5.37*** (10.95)	5.13*** (12.92)	5.18*** (12.63)	5.24*** (12.54)
<i>PTF</i>	1.06 (1.20)	1.42 (1.57)	1.35 (1.51)	1.26 (1.48)
Panel B: Price impact				
<i>Intercept</i>	0.32* (1.95)	0.18 (0.87)	0.21 (0.97)	0.25 (1.20)
<i>PTF</i>	4.82*** (10.05)	5.03*** (10.04)	5.00*** (10.13)	4.93*** (10.67)
Panel C: Realized spread				
<i>Intercept</i>	5.01*** (9.37)	4.91*** (10.10)	4.94*** (10.02)	4.95*** (10.00)
<i>PTF</i>	-3.77*** (-5.67)	-3.62*** (-5.49)	-3.65*** (-5.51)	-3.68*** (-5.65)
Fixed effects	day	stock	stock & day	stock-day
Clustering	MM & stock	MM & stock	MM & stock	MM & stock

This table presents coefficient estimates from the regression equation

$$y_{i,t,m} = \alpha + \beta PTF_m + \epsilon_{i,t,m},$$

where $y_{i,t,m}$ denotes a measure of market quality for stock i on day t and market maker m . In Panel A, the dependent variable is the effective spread, whereas it is the 10-second price impact in Panel B, and the realized spread in Panel C. The variable definitions are given in equations in the main text. All variables are computed as value-weighted averages (based on EUR amounts) across all relevant trades on the same day and stock by the same market maker. For RMMs, we consider all passive executions on own trading venues, and for PTFs we base calculations on all passive execution across all venues. The different columns correspond to different fixed effects specifications with increasing stringency: from day

and stock fixed effects in columns (1) and (2), to stock and day fixed effects in column (3) and stock-day fixed effects in column (4). Standard errors double-clustered at the market maker and stock level are given in parentheses. One, two and three asterisks represent statistical significance at 10%, 5% and 1% respectively.

Table OA.2: Sharpe ratios - robustness

	N	$p = 0.001$	$p = 0.005$	$p = 0.01$	$p = 0.015$	$p = 0.02$
Panel A: RMMs						
<i>Mean revenue</i>	5	39.68	37.93	36.71	35.81	35.10
<i>Mean revenue RTH</i>	5	22.08	20.26	18.84	17.88	16.97
<i>Mean revenue OTH</i>	5	20.85	19.10	17.87	16.98	16.26
<i>St. Dev. revenue</i>	5	34.23	29.46	27.10	25.68	24.68
<i>St. Dev. revenue RTH</i>	5	27.97	20.40	16.75	14.60	13.00
<i>St. Dev. revenue OTH</i>	5	22.52	16.76	13.95	12.25	11.05
<i>Sharpe ratio</i>	5	15.46	17.03	17.85	18.36	18.71
<i>Sharpe ratio RTH</i>	5	9.45	12.41	14.37	15.90	17.14
<i>Sharpe ratio OTH</i>	5	12.44	15.29	17.16	18.57	19.74
Panel B: PTFs						
<i>Mean revenue</i>	21	18.18	17.54	17.19	16.62	16.08
<i>St. Dev. revenue</i>	21	60.29	39.80	30.63	25.39	21.90
<i>Sharpe ratio</i>	21	5.28	6.41	7.42	8.25	9.01
Panel C: Willingness-to-pay						
ϕ		29.36	24.95	21.50	19.01	16.97

This Table produces the measures of RMM and PTF profitability from [Table 2](#) and [Table 5](#) for different levels of winsorization $p \in \{0.001, 0.005, 0.01, 0.015, 0.02\}$. The table also contains the resulting estimates for ϕ following the discussion in [Section 6](#).