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## Dark Pool Exclusivity Matters

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### Abstract

Recent dark pool proliferation has magnified regulatory and academic concerns about equal access and market quality implications. Some dark pools, hoping to create an environment more amenable to buy-side institutional investors, craft their rules to discourage – or even exclude – brokers, high frequency traders and order-flow-information traders. We examine the role participation constraints play in large trade execution and find that a dark pool targeting buy-side counterparties experiences less serial correlation in returns, less volume and volatility increase pre-trade, and more trade clustering within and across days. Exclusivity influences execution quality. Not all dark pools are created equal.

**Keywords:** Dark pools, exclusivity, market microstructure, institutional trading, block trades**JEL Classification:** G12, G14, G18[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN\\_ID2370000\\_code1540308.pdf?abstractid=2055808&mirid=1\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2370000_code1540308.pdf?abstractid=2055808&mirid=1)[Open PDF in Browser \(Delivery.cfm/SSRN\\_ID2370000\\_code1540308.pdf?abstractid=2055808&mirid=1&type=2\)](https://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID2370000_code1540308.pdf?abstractid=2055808&mirid=1&type=2)

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