

FX Markets
e-FX
Awards 2021

Best liquidity
aggregation services

Best new
venue initiative

Best venue for
forwards/swaps

360T

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360T's efforts to reduce fragmentation and increase transparency in FX markets, and its launch of a non-deliverable forward (NDF) streaming service to improve how NDF prices are delivered, has earned it three awards at the *FX Markets e-FX Awards 2021*

Since its inception more than two decades ago, when it sought to tackle inefficiencies in FX pricing for corporates, 360T has always been a pioneer in developing new and innovative ways to propel the FX industry into a better and more transparent marketplace for all client types.

The past two years have been no different. Amid the whirlwind faced by markets, and the world in general, because of the Covid-19 pandemic, 360T managed to continue its mission of innovating for a better FX market. First by opening up the non-deliverable forwards (NDFs) space to streamed pricing, then by breaking new ground to consolidate spot liquidity and, finally, revolutionising FX swaps with a fully automated trading solution – 360T has had a very busy lockdown.

FX swaps have long lagged spot in technological sophistication and innovation investment, and, despite being the most widely traded FX instrument and representing nearly half of the world's FX turnover, FX swaps remain largely dominated by voice brokers.

In late 2019, 360T decided to redress that by building a fully automated FX swaps limit order book with mid-rate matching capability. Known as 360TGT MidMatch and specifically geared towards the interbank market, the platform has catapulted the FX swaps space along the path to full electronification. The bold move soon caught the attention of other venues in the industry, many of which have announced their own FX swaps automated trading solutions.

"Imitation is the sincerest form of flattery," asserts Simon Jones, chief growth officer at 360T. "We always knew our investment in this product just over two years ago would be about helping the industry progress, it wasn't just about extending the 360T product suite.

"It is clear the industry is now gathering momentum, shifting in the direction we predicted. Clients are excited about building swaps trading models, traders are keen to try new electronic order types and businesses are planning for automated trading, algo solutions and smarter transaction cost analysis, all of which were previously not possible under the old way of doing things. Being a first-mover in this space is an advantage and, while we are conscious we are making the path easier for those behind us, the work being done with every bank to figure out the path that works for them will pay dividends over the medium term."

Jones points out that the market may have been theoretically and ideologically ready for more automation in the FX swaps space, but it wasn't entirely prepared from a technological perspective. Taking spot as the blueprint of an instrument's path to electronification, the FX swaps space is long through the first stage, with electronic pricing being accessible to clients for many years. The second stage, automated risk management, has progressed a lot over more recent times, but it was really the third stage, access to a reliable hedging pool devoid of manual intervention, that required tackling.

"Building an automated hedging venue is a classic chicken-and-egg problem. You can't attract new participants without data, and you can't create data without participants," says

Jones. It was the Swaps Data Feed launched in 2018 that allowed 360T to bridge this gap. A collaboration with more than 20 banks paved the way for continuous swap data along the curve, giving them that all-important market data from which to springboard.

As the quality of available data improves, it becomes easier for market-makers to price FX swaps into venues electronically, which in turn enriches the market data flowing back into the market.

"While most market participants have been very open to new graphical user interfaces, the challenge has been around automated quoting via application programme interface (API)," says Jones. "Through listening and using our experience in the FX swaps space, we've been able to develop a solution that will enable swaps desks to get all or parts of their curves published in such a way that opposing interest can be efficiently found. Lit, grey and dark options give users true control over how they interact in the market and, again, with no need for cumbersome manual intervention.

"With very rich market data and improved pricing and trading, opportunities in the FX swaps space from there on will abound. We expect the velocity of trading to pick up considerably as the transparency of opportunity rises and as auto hedging becomes prevalent, I expect the next big thing will be a mushrooming of FX swaps execution via algorithm."

Jones points out that true efficiency in the FX swaps market won't materialise in a significant way until credit systems and ancillary processes make a similar advance. "This is a challenge for participants and one to which we are very sympathetic. The increased

focus on credit distribution in recent years has escalated the importance of an often investment-neglected area.” To this end, 360T has spent considerable effort over the past 12 months with banks’ credit departments to find the best ways to maximise the footprint of their clients’ trading desks, all the way from credit allocation efficiencies to straight-through processing and documentation.

Consolidating liquidity pools

Another area of focus for 360T has been to reduce the fragmentation of FX markets, which gained momentum with the proliferation of trading venues in the wake of the last financial crisis. In a matter of a few years, market participants were soon awash with choice between more than 100 liquidity pools. That fragmentation largely remains today, despite a certain number of venues having been acquired by other entities in the ensuing years as many of these liquidity pools continue to operate as siloed businesses within the larger entity.

While 360T’s story in this respect is no different, some time ago the firm made the decision to consolidate the disparate FX trading technologies it was using – 360T’s SuperSonic, Eurex’s T7 and GTX, a business acquired in 2018 – into a single technology that is fit for purpose for the over-the-counter spot market.

“We made the decision that we would be better off building a system that took the best of each but met the needs of all, essentially retiring those three products despite the success they have had,” says Jones. “Clients really want their access point to provide them the optimum number of liquidity options. They don’t like to be told there is a difficulty in getting a particular liquidity provider or credit path using their existing setups. It’s a problem that needs solving away from the client – they don’t want to hear that it’s hard because you merged technologies two years ago.”

Within that context, the most important consideration for 360T was to build a solution that would satisfy those market participants seeking to boost the performance of their trading within the confines of the natural credit restrictions unique to the FX industry.

Named HyperSonic, this single point of access was a revolutionary change to 360T’s spot FX business as it enables market participants who previously couldn’t interact with one another across its different platforms to match off.

“From a performance perspective, this should push us to the front of the queue in the industry,” says Jones. “Optimising performance was the central consideration when we looked at retiring our previous technologies.”

For multi-access platforms such as 360T, the challenge is how you ensure the white-label business speaks to the execution management system, which then speaks to the electronic communications network, considering disclosed and anonymous credit paths while catering to the needs of the most sophisticated bank desk, but also ensuring fair access for the casual corporate user. “The odd thing is that a large part of the client constituency on 360T doesn’t have an easy path to more than half the spot market. There’s no natural way for a car manufacturer to gain access to non-bank market-makers or even for an asset manager to access the passive bid left by a retail broker. FX market participants are generally missing out on a large amount of liquidity and it’s for us to solve that problem for them,” says Jones.

Streaming NDFs

Another important item on 360T’s radar in the past year has been to improve how NDF prices are delivered. As the instrument gained considerable popularity in the past couple of years, the structure of the market for the product increasingly resembled that of spot, particularly in the way banks price the product, except for the notable difference that NDFs continue to be largely traded on a request for stream (RFS) basis.

But, by launching an NDF streaming service in the past year, 360T wanted to change that. And, while both have very similar-sounding names, the main advantage of streaming over RFS is that market participants are able to reduce the signalling



Simon Jones, 360T


risk when they execute. Despite this advantage, the challenge in making streaming pricing a success is always going to be on the venue to ensure the pricing of the two solutions remains comparable.

“One challenge is to convince clients that are very comfortable with RFS execution that there is a benefit to switching to streaming. If the pricing isn’t

comparable, then clients are not going to make that shift. The biggest opportunity comes with finding new clients. Traditional users of RFS are hedgers. Streaming opens the door wider for more opportunistic trading. Growing the pie will be critical for success in this space.”

To put NDF streaming in good stead, 360T made these products available via its existing APIs, allowing clients to choose between disclosed and anonymous as suits their needs. By leveraging its global franchise through these channels, 360T is boosting the available liquidity in its NDF streaming offering while providing its clients different commercial models to take advantage of depending on their needs and credit paths.

Service providers from varying backgrounds have been particularly keen to enter the NDF streaming space because of its low barriers to entry. But Jones believes only those players that can distribute their services far and wide, while adhering to the differing regulations, will make the impact the industry is looking for.

“I think venues that can offer participants diverse ecosystems and help them meet their regulatory obligations are going to be the winners of streaming NDFs over the medium term, and I feel we are strongly positioned for that,” says Jones. “Regulation and code adherence have created a hurdle to entry that comes at a cost that must be factored into the business proposition, and can’t be ignored.” 

360T was voted *Best liquidity aggregation services*, *Best new venue initiative* and *Best venue for forwards/swaps* at the 2021 FX Markets e-FX Awards.