DEUTSCHE BÖRSE GROUP

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Global Views, Local Insights

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WHAT DOES THE FX TRADING DESK OF TOMORROW LOOK LIKE?

Carlo Kölzer, CEO of 360T Group and Global Head of FX at Deutsche Börse Group, casts his eye over some of the key trends that are likely to play out across the trading of various FX instruments.

Carlo Kölzer, CEO of 360T Group

At 360T we pride ourselves on simultaneously leading FX market participants and being guided by them.

Being guided by our partners across the industry means that whenever we are designing new products, tools or services for our clients we obviously do so in close consultation with them. This ensures that the solutions we develop match directly to their existing needs today and keeps us at the cutting edge of the FX industry.

But leading means that we spend a lot of time thinking about how FX trading desks will evolve going forward so that we can anticipate the future needs of market participants and remain a hub of innovation as we innovate towards this vision. As such, I thought it might be worthwhile to trace some of the key trends that we're keeping an eye on right now.

Of course, there are so many different lenses through which this analysis can be conducted and so, in order to prevent this article sprawling to the length of a doctoral thesis, it might be best for now just to think along the lines of different FX instrument types.

ECN RESURGENCE

For instance, one trend we are seeing in Spot FX is the resurgence of ECN platforms, such as 360TGTX. Obviously, the sustained volatility which we have witnessed in the FX market this year has played a large role in this, but technical enhancements are also a factor.

These platforms can increasingly benefit from offering flexible credit models which enable users to access the liquidity available there via different

channels. This flexibility broadens the universe of market participants who can trade on the ECN, helping to create a more diverse Spot FX liquidity pool.

And a broader theme that we're likely to see across this market is the acceleration of an existing push to break down different liquidity silos. This will enable a wider range of different market participants to trade with one another and thereby maximise the trading opportunities available to them.

NDF LIQUIDITY

We see NDFs following along the same path that the Spot market went down many years ago, with more activity going towards electronic channels and streaming pricing inevitably becoming more and more prevalent.

The challenge when it comes to trading these instruments isn't the technology that's available, but the liquidity. NDFs have attracted a lot of interest in recent years because it is a segment of the market which is growing rapidly and, because it is also largely viewed as the low hanging fruit for electronification, is expected to continue doing so.

It is important to have some context though. While data from the Bank for International Settlements (BIS) indicates that the NDF market has been growing at a rapid rate in recent years, it still represents just a small fraction of the overall $7.5 trillion of daily FX turnover volume.

And even then, the majority of the trading activity is concentrated in a handful of currency pairs in short-dated tenors. Hence, why liquidity remains the key challenge in this marketplace as it evolves.

This is why our focus has been on offering short-dated contracts and building a truly global community of NDF traders, connecting unique pools of onshore liquidity and currency expertise from across our franchise worldwide with the global offshore marketplace. For example, in Brazil alone (USD/BRL is one of the most frequently traded NDF pairs) we are connected to over 30 local banks.

Another way in which the NDF market will follow in the footsteps of Spot FX is in the usage of execution Algos. The growth of Algo trading within the Spot market has been well documented in recent years, and it is inevitable that as NDF trading continue to evolve and mature we'll see these tools deployed there as well. Again, the technology is already there. Banks use Algos for trading NDFs in the interbank market and have begun making these available to clients too. And as the liquidity improves in this marketplace, and especially if it fragments across different platforms like in Spot FX, the advantages of using Algos will become very apparent and we'll see an increase in adoption.

A SEA OF CHANGE

I actually think we have seen some of the biggest technological strides in the FX market in recent years being taken around Outright Forwards and Swaps trading, although the issues facing the sell-side and the buy-side are very distinct here.

In the interbank FX Swaps market the participants would historically execute trades with some form of electronic risk management, but the ability to seamlessly execute an automated hedge was lacking and the process relied upon the manual checking of available credit limits by both parties at the point of trade.

> **In the next few years we think that full automation all the way out the curve is a realistic goal for vanilla FX Swaps.**

Today, this has all changed. The data, tools and technology are now available to enable sell-side institutions to risk exchange at mid-market through full API connectivity utilising a range of automated credit models which remove the risk and latency of soft-matching. And all of this can be done via a fully regulated trading platform.

We see the connection between pricing and hedging becoming a lot tighter in the future, with traders gaining greater control of their risk as a result. And in the next few years we think that full automation all the way out the curve is a realistic goal for vanilla FX Swaps.

FOLLOWING THE ROADMAP

On the buy-side we've seen the adoption of high-quality data sets combined with advanced automation tools being used to streamline and enhance how they trade Outright Forwards and FX Swaps, often by automating parts of, or in some cases the entire execution process.

This adoption has thus far been uneven, being largely concentrated amongst the most technologically sophisticated buy-side firms. However, what they have done is create a roadmap that others can now follow.

But while this might sound straightforward, it is important to bear in mind that while there are certain workflow elements that tend to be common among buy-side firms, each one contains unique parts too.

Hence, we see the challenge beginning to shift from producing the data and technology needed to automate Outright Forwards and FX Swaps trading to now calibrating and applying these to the specific workflow challenges associated with each firm's trading activity.

GETTING BEYOND THE BASICS

As the most complex FX instrument type, FX Options has been the slowest instrument to shift towards electronic execution platforms. However, the demand for more competitive pricing is now

having the same impact here as it did across every other product segment. This is why there is a migration happening from voice and chat channels towards more efficient e-trading platforms where pricing can be put in competition more easily.

And as more firms start to push their FX Options trading onto these electronic platforms they will look for venues which are able to support a broader array of strategies for these products. Going beyond the basic vanilla puts and calls they want to be able to implement straddles, strangles, spread options, risk reversals, etc. In the near-term though, true automation of FX Options execution is unlikely, simply because of the limited abilities of market participants to auto-price these instruments. One trend we are observing though is a greater interest amongst buy-side firms in accessing alternative sources of liquidity, such as non-bank market makers, to help them improve their trading outcomes.

A LISTED ALTERNATIVE

It is also impossible to talk about the trading desk of tomorrow without mentioning the impact of regulation, and here we see the potential for a very significant, and in some ways fundamental, change in how parts of the FX marketplace operate.

That is because an amendment to regulatory capital rules has changed the way in which US banks measure the exposure amount of derivatives contracts to a new methodology called the standardised approach to counterparty credit risk (SA-CCR).

The introduction of SA-CCR could lead to a higher capital burden for banks when trading certain products, including FX Swaps and Forwards, and hence we're likely to see an alteration in the behaviour of these institutions.

This might involve utilising more optimisation tools to compress trades and restructure other transactions with clients to minimise the impact of these capital costs. But we also think that there is likely to be a move towards more FX Futures trading as a consequence of SA-CCR.

If banks are forced to reflect the higher cost of capital in their pricing of FX Swaps and Forwards then market participants could naturally be inclined to look at other instruments, with FX Futures being the most obvious alternative. In addition, there are the efficiencies and cost benefits that executing on a regulated exchange and in a centrally cleared environment can deliver on top of this.

A BETTER MARKETPLACE

In conclusion, I should stress again that this is only a partial glimpse at some of the key trends that we see shaping FX trading desks. Of course, readers will have noticed that certain themes — such as electronification, transparency, automation, data and unique liquidity — reoccur to varying degrees across each instrument type. This suggests a very positive future for the FX industry as a whole.

As we have already seen across capital markets more broadly, greater electronification leads to increased productivity and reduced costs around execution.

Greater transparency enhances the ability of firms to understand where the market is trading and to analyse and subsequently improve their own trading abilities.

Automation helps reduce operational risks and empowers traders to focus on the most important elements of their role, where their expertise and knowledge can make the biggest difference.

Data is absolutely essential to providing firms with the confidence to change how they trade FX, enabling them to quantify the benefits of different execution methods and channels and helping them make the case for continued innovation and the implementation of new technology.

No matter how far we advance as an industry I'm confident that the trading desk of tomorrow will always be better than what we have today...

And the ability to access new sources of FX liquidity, and to interact with it in different ways, will create new opportunities for firms on both the sell-side and buy-side. Just as the trend line towards greater adoption of technology is clear, so too we see firms constantly striving to widen the pool of liquidity available to them (even if in some cases they might be becoming more selective about which liquidity they actually interact with).

The outcome of all of this will be a more robust, transparent and efficient FX marketplace. No matter how far we advance as an industry I'm confident that the trading desk of tomorrow will always be better than what we have today, and I'm excited at the ongoing role that 360T has to play in ensuring that this is the case.

Link list:

- *Streaming NDFs Building a better marketplace*
- *360TGTX to Require Code Compliance for Anonymous Market Makers*
- *360T Named Best Professional e-Trading Venue*

Sebastian Hofmann-Werther
Head of EMEA at 360T

IS IT TIME FOR TRADFI TO HELP DEFI?

Sebastian Hofmann-Werther, Head of EMEA at 360T, suggests that traditional financial services firms can play an important role in helping to improve the digital currency marketplace.

Over the past couple of years, we've seen a dramatic uptick in the level of interest around accessing and trading digital currencies from our partners in the FX space.

At this point I think that everyone in our industry is familiar with the phenomenon that once digital currency trading gets brought up in a meeting it becomes next to impossible to talk about anything else, such is the level of intellectual engagement and curiousity around these assets. Hence why, in a survey conducted by our friends at Eurex Exchange last year, 39% of buy-side firms said that they are interested in, or open to, future investments in digital assets.

And in a separate survey of 1,100 institutional investors conducted by the American research firm, Coalition Greenwich, 71% of respondents said they plan to buy or invest in these assets.

Elsewhere, the European Central Bank (ECB) began an investigation into the potential of a "digital euro" in October 2021 and, according to the Bank for International Settlements (BIS), 86% of central banks globally are researching the potential for their own digital currencies, with 14% actively deploying pilot projects on this front. Yet recent events – which have seen some high profile crypto-focused firms declare bankruptcy, others announce sizable layoffs and caused valuations to be dramatically reduced across the board as the value of bitcoin and other digital assets plummeted – have raised fresh questions about the future of digital currencies, and the emerging Decentralised Finance (DeFi) environment more broadly.

But just as those who were too quick to believe that the value of digital currencies could only go upwards and that the dominance of DeFi within financial markets was both inevitable and immanent are being forced to re-think these positions, those who are jumping on this news to declare that both are in downwards spiral are also likely to end up being proven wrong.

BARRIERS TO ADOPTION

In fact, I would argue that there is now a great opportunity for Traditional Finance (TradFi), such as 360T, to step into the digital currency space to provide technology and infrastructure. And in doing so, we can help unlock a whole new wave of investment in this marketplace which could spur the next stage of its evolution.

But let me back up a step to explain what I mean by this. It's widely acknowledged that prior to now digital asset trading has overwhelmingly been fuelled by retail traders, crypto-trading hedge funds and proprietary trading firms. This is no bad thing, but a natural consequence of it is that the ecosystem which has sprung up around digital currencies, including the trading venues themselves, is designed to cater to the specific needs of these customer segments.

Hence, when we talk to our broad array of existing clients in the traditional FX market, many of them express a great deal of interest in accessing digital assets but say that their requirements around technology and infrastructure are not being met, and that this is a major barrier to entry for them.

For example, when it comes to trading venues, these organisations have rigorous demands around the robustness, security and stability of the platform and have high expectations about the level of service and support they will receive from the venue operator themselves. This is never more important than in stressed market conditions, like we have seen in the digital currency markets recently.

In addition, these are often highly regulated entities that are in-turn looking for a regulated trading environment with transparent rules and processes in place to match their own compliance frameworks. Regulation generally remains a challenge in the

digital asset space, one that we need to face in consultation with our clients, respective legal experts, and the regulators themselves.

At 360T we are currently exploring the regulatory requirements which might be specific to digital assets as regulators globally seek to provide greater clarity regarding exactly what these might look like.

BRIDGING FIAT AND DIGITAL MARKETS

Traditional FX market participants also want to be confident in what the ownership, structure and focus of the providers that they partner with will look like many years into the future – something that can be challenging when many of the providers in the crypto space have only been around for a few years.

The type of trading ecosystem that major players in traditional capital markets require takes a significant amount of time, expertise, and investment to build. That is why I think that existing FX platform providers are much better placed than crypto firms to step-in and effectively act as a bridge between the fiat and digital currency markets.

Linked to this point is the need for trust. Although the decentralised and deterministic nature of blockchain technology means that it is sometimes lauded as a mechanism for moving assets without the need of trusted third parties, in reality firms like asset managers, corporates and hedge funds will have a strong preference for partnering with providers with whom they already have long-standing relationships.

Again, this suggests that traditional FX platform providers with diverse existing client bases will be best placed to support digital currency trading for these firms.

CUSTODY CHALLENGES

But actually, this issue of trust extends beyond the execution platforms themselves. One of the most frequent concerns cited by our clients and partners on the buy-side when we consult with them on what an institutional-grade digital asset offering should look like is that they are uncertain if and how they can custody these assets.

Following discussions with clients, we expect to see more firms beginning to license technology solutions from technology providers who do have expertise and a proven track record in this area.

Many of them do not want to invest in building the infrastructure necessary to safely and securely store digital assets because it would consume resources and, let's be honest, this isn't exactly their area of expertise. Following discussions with clients, we expect to see more firms beginning

to license technology solutions from technology providers who do have expertise and a proven track record in this area. Another option could be to execute via a platform which has the capability to store their digital assets, but this is problematic for a number of reasons. Firstly, as already noted, many of the crypto platforms in the market today do not meet the security and stability criteria required by these firms. Secondly, it represents concentration risk to have lean on this type of infrastructure for execution and custody. Thirdly, this could involve storing the assets in an unregulated infrastructure environment, a non-starter for many firms.

And fourthly, regardless of what safety measure the platform has in place there will always be concern about cyber attacks given the target rich environment they can represent if they allow for the storage of assets.

CRYPTO FINANCE
A TRUSTED PARTNER TO FINANCIAL INSTITUTIONS

Patrick Heusser, CEO Crypto Finance (Brokerage) AG

At Crypto Finance, we believe in bridging the gap between Crypto and traditional finance. Unregulated crypto exchanges and retail platforms have flourished in the past years. However, banks have been late to the party, facing a unique set of challenges in their digital asset journey such as integration with complex legacy banking systems and navigating an evolving regulatory landscape. In addition, counterparty risk recently became one of the most recognized issues in the crypto ecosystem which led banks to be extremely selective and performing extended due diligence when selecting a provider.

Our goal at Crypto Finance is to address these issues by focusing on serving financial institutions such as banks and asset managers as a one-stop-shop for digital assets, and by being properly regulated with a FINMA securities firm license. This translates into highly selective processes and regular reviews of our counterparties and clients, adequate balance sheet capitalization, no compromise on security with institutional grade, in-house developed infrastructure.

Our philosophy is that banks should own their client relationship, while Crypto Finance remains the back-end outsourcing partner removing complexity of crypto operations. Our approach is to offer a complete range of services, such as trading, custody and staking. Our offering allows clients to achieve rapid time-to-market through initial outsourcing, while retaining the option to insource our infrastructure in a second stage. During the process, we assist banks in developing internal expertise and in confirming their business case. At this stage, the bank operates a blockchain agnostic, best-in-class storage solution and is ready to launch more complex offerings such as tokenisation, web3 services or to explore CBDCs.

Regardless of the objective, Crypto Finance works shoulder-to-shoulder with financial institutions leveraging years of experience in the digital asset space and traditional finance. Our holistic offering provides the flexibility of a tailored approach, cherry picking the specific services and products needed while removing all unnecessary complexity.

Again, based on the conversations we're having with traditional FX market participants, we think that many of them will ultimately gravitate towards using a professional and regulated custody service to store their digital assets. This is one of the reasons why 360T's parent company, Deutsche Boerse Group, acquired a majority stake in Crypto Finance AG last year, which offers exactly this service.

Given that Crypto Finance is a FINMA supervised entity, a combined product offering with 360T can offer a trusted and fully regulated ecosystem for trading and storing digital assets for many regions.

PROVEN SOLUTIONS

There are other organisations which operate within the capital markets today that could also aid the adoption of digital currencies across a much wider range of institutions.

One of the most high-profile examples is the International Swaps and Derivatives Association (ISDA), who created the legal master agreements which are widely used or adapted by market participants all over the world for conducting bilateral trades.

By contrast, there is no common set of legal documentation currently used to govern the bilateral relationships between counterparties trading digital currencies, a fact which has spurred calls to simply use the existing ISDA agreements as a template for this asset class too.

Another possible example of how digital currency trading could benefit from existing infrastructure that will be familiar to those of us in the FX market is CLS. By simultaneously settling payments relating to FX trades using its payment-versus-payment system, CLS helps to significantly reduce settlement risk.

If a similar approach could be applied to digital currencies it would help to mitigate one of the key risks which exist in this marketplace today and, just like we saw in the FX market after the introduction of CLS, help to drive a sizable uptick in trading activity as a result.

DIFFERENT PRODUCT TYPES COULD OFFER A SOLUTION

As we consult with our clients and partners in the FX industry looking to make their first foray into the digital currency markets, we also see that there is an opportunity to apply product knowledge from the FX side to provide them with different ways of gaining exposure to these assets.

Enabling access to the digital currency spot market is the obvious starting point, but this requires an end-to-end solution that provides an agnostic execution layer seamlessly linked to custody and settlement services. And it should go without saying that this needs to meet very high standards in terms of security and reliability.

Another concept gaining traction is digital currency non-deliverable forwards (NDFs), which have the potential to offer synthetic exposure to this asset class without any of the infrastructure complexities associated with utilising blockchain

technology or holding digital assets directly. The trading technology and workflow could look very similar to FX NDFs, enabling firms to integrate this easily into their existing trading operations, and they could potentially use traditional credit models for managing digital NDF cashflows.

Ultimately, the technology, track-record, regulatory status, relationships, and product knowledge of a firm like 360T makes us ideally placed to help firms from the TradFi world access and trade digital currencies. This in-turn could bring new investment and more professional trading to the DeFi world, creating a more robust and sustainable ecosystem.

Also crucial to this endeavour is the input of the traditional FX market participants that we are looking to introduce to the digital currency space. As we look to build this bridge between the two markets, we must continue to work closely with them to understand the unique challenges they face in accessing digital currencies and ensuring that we look for solutions from a wide variety of angles.

So, please feel invited to get in touch with us to pave the way, brainstorm and identify your requirements on the route to Crypto-Workflow.

SHW@360T.com

Link list:

> *Bridging the gap between traditional and digital currency markets*

THE UNIQUE OPPORTUNITIES AND CHALLENGES OF LATIN AMERICA

Matt O´Hara
CEO of 360 Trading Networks, Inc., Americas

While many FX market participants in the region are facing the same challenges, Matt O'Hara, CEO of 360T Americas, explains why and how the solutions to these need to be adapted for different countries.

My first ever business trip to Sao-Paulo, Brazil, was over 15 years ago now and subsequently I've been fortunate enough to travel all over Latin America in various FX-focused roles across a number of different companies.

And if there's one thing I've learned during this time it's that each country in the region – and their respective financial marketplaces – are full of idios-yncratic nuances which need to be understood and adapted to in order to build a successful business in the region.

For example, just consider the differences between Mexico and Brazil, two of the largest FX hubs and most technologically advanced trading centres in Latin America.

According to data from the Bank for International Settlements (BIS) the Mexican peso is in the top 16 most frequently traded currencies in world, it is a CLS currency, Spot FX is the most traded MXN instrument and it is a highly international currency, with 80% of trading activity occurring outside of Mexico.

By contrast, a lot of the local FX trading in Brazil (which happens to be where we are currently experiencing the fastest growth in the region) occurs in the Futures market, the Real is non-convertible and as a consequence international trading of BRL is focused heavily in the NDF market.

So while we see the adoption of e-FX trading accelerating in both of these countries, the actual technology solutions required in each are not identical and instead need to be tailored accordingly. At 360T, this approach has also involved adapting our product offering, a good example of this being that in Brazil we have had to offer split value dates because the value date locally for USD/BRL is different.

These differences are also why it is critical to have a local presence in LatAm, with staff that have existing personal relationships in these marketplaces, who understand the intricacies of how they operate and can easily navigate the business culture and market microstructure of each.

It is critical to have a local presence in LatAm, with staff that have existing personal relationships in these marketplaces who understand the intricacies of how they operate.

It is also why at 360T we spent years developing and implementing a Pan-LatAm strategy which accounts for the heterogeneous nature of each country and seeks to connect our clients in Mexico, Colombia, Panama, Brazil, Chile, Peru and Argentina to each other, as well as to our wider global community platform users. The strategy itself is regional but the deployment of it always remains localised to each country.

A CLEAR DIRECTION OF TRAVEL

But while the adoption of e-trading might be happening at an uneven pace across Latin America, and might in fact look a little different within each country, the direction of travel is uniform and clear. This is because different client types within the region are facing the same pressures.

> **Asset managers** who can deliver better returns generally gain more investment. One way to achieve this is by eliminating operational inefficiencies while gaining access to better FX pricing, both of which become points of differentiation. That's why there is growing demand amongst this client segment for workflow solutions which can enable them to significantly streamline their execution process.

> **Regional banks** in Latin America are looking for the transparency and price improvements that can be gained by putting multiple liquidity providers into competition, so aggregation technology is obviously well suited to their needs.

In addition, they're under pressure to compete against large international banks for the local FX business in their marketplace, which is inevitably leading more of them to partner with Software-as-a-Service (SaaS) providers in order to provide better pricing and a better trading experience to these local clients.

> **Corporate clients** in Latin America, meanwhile, are also very focused on transparency but often for different reasons. For this client segment pricing is important but there are many other factors, such as how technology can help them from an audit and compliance perspective, which rank just as high in their list of concerns. Clearly, executing FX transactions via an electronic system which records everything and is then able to produce a complete and comprehensive audit trail of all trading activity helps in this regard.

Reducing friction points within their FX workflows is also an important consideration for corporates in LatAm because currency trading and management is simply one amongst many of their daily tasks. Therefore, they are looking for technology which can make this process quicker and easier, enabling them to focus on other more mission-critical elements of their jobs and thus increase productivity.

OVERCOMING THE CREDIT CHALLENGE

And while there are a myriad of different structural, regulatory, historical and cultural factors which can impact the speed of e-trading adoption in each Latin American country, there is one hurdle that we encounter fairly consistently across them all: credit.
As a truly global platform provider, part of 360T's unique value proposition is being able to connect local pools of onshore liquidity in various regions across the world with the broader pool of offshore international liquidity. However, in LatAm the lack of available credit with local firms has limited this type of interaction in the past.

Yes, a trader in New York could use a multibank platform to access a range of MXN liquidity, but in reality they would probably only be able to face a small selection of local FX market participants in Mexico as counterparties on the platform because of credit limitations.

In response to this challenge 360T is currently pioneering a new credit hub solution in partnership with a large domestic Mexican bank, Banco Monex, that will enable local firms in Mexico to interact with the full range of global liquidity on our 360TGTX platform on an anonymous basis. How this works is that Monex has an excellent credit rating and is therefore able to face off against a wide spectrum of international top tier liquidity providers (LPs)

and in addition is a member of CLS and therefore is able to act as a credit hub. Many of the local firms trading FX in Mexico already have an established credit arrangement with Monex so they are now utilising Monex as a credit hub to access 360TGTX and the global pricing available there.

Because 360TGTX is an anonymous trading venue, the liquidity providers (LPs) pricing there do not see the local Mexican firms or their credit profile and are able to price them as they would any other counterparty on the platform.

This benefits the local market participants in Mexico because they are now able to improve the FX pricing they receive because they can face top tier liquidity providers from all over the world, and it benefits our global community of LPs because now they're able to interact with MXN flows which would not be available to them anywhere else.

THE LOCAL TOUCH

Now that the Monex credit hub is up-and-running the benefits of the solution are self-evident and the whole partnership seems like a straightforward and highly logical initiative.

Yet the reality is that it required an understanding of the credit challenges in Mexico, Monex becoming a CLS member with credit lines to domestic firms, a strategic commitment to building out our presence on the ground, commitment to supporting the initiative from the ground up and – most importantly of all – the relationships necessary to obtain buy-in from all the relevant parties in the local FX market. Anything less and I believe that we would not have been able to realise our vision in Mexico.

This is just one example of how important it is to take a country-by-country approach in Latin America. And while I have highlighted Brazil and Mexico as two of the largest FX markets in the region it's worth noting that Chile, Peru and Colombia in particular are hotspots right now where we see massive potential for further electronification of trading activity.

The pressure to reduce costs, minimise risk, enhance transparency and improve returns are consistent across all these countries, but what is vital to remember is that the solutions required to alleviate these need to be fine-tuned when implemented in each and then combined with local support, knowledge and expertise.

Link list:

- *Unlocking Mexico's FX Growth Potential*
- *Supporting a New Generation of Anonymous Trading in Mexico*

WHAT IS „OPERATIONAL ALPHA“? HOW CAN IT HELP BOOST RETURNS?

Andrew Jones
Managing Director 360T Asia Pacific Pte. Ltd.

Greg O‘Sullivan
Head of 360T ANZ Region & Institutional Sales APAC

Andrew Jones and Greg O’Sullivan offer some examples of how buy-side firms in APAC are improving returns by utilising technology to streamline operations and enhance their FX execution capabilities.

APAC is a large region with a number of very distinct territories. Each has an FX marketplace that offers different opportunities and challenges, and all are evolving at different speeds. Therefore, when it comes to trading technology there is no one-size-fits-all solution.

Despite this, we see a consistent trend amongst asset managers, irrespective of the diversity of their environments, to shift more of their FX trading towards electronic channels. And where possible they are also looking to automate elements of their workflows and to acquire solutions that cater to specific FX workflow requirements, rather than broad-brush cross-asset capabilities.

This being driven by well-established factors — such as a desire to be more efficient, increase productivity, reduce operational risks and create a comprehensive audit trail — which collectively contribute to what we in APAC term "Operational Alpha", also sometimes known as "Implementation Alpha".

At a high-level, operational alpha is simply the concept that by improving the mechanics of how they execute their FX trades asset managers can positively impact their overall returns. Conversely, sub-optimal execution causes the loss of this alpha, negatively impacting P&L and potentially putting these firms in breach of their fiduciary duties to investors.

Historically this has been very difficult to quantify, but with introduction of quality benchmarking data that can be implemented as part of the trading process, asset managers can now validate trading decisions prior to execution. So, what does Operational Alpha look like when put into practice?

MAINTAINING AN EDGE

A good example might be a small cap equities fund managed in APAC but operating a global strategy. Now, while this firm could be trading stocks all over the world, it might not enjoy the luxury of having offshore FX desks located in different time zones to ensure that the currency risk associated with those trades is immediately hedged.

Thus, if it buys or sells US equities overnight the fund might not start hedging these trades until 8 hours later, which can have a material impact on the overall performance of that trade.

Different funds might deploy radically different methodologies for selecting equities purchases, but each of them believes that they have a specific edge which helps them to deliver value to investors. However, this edge is, in effect, being potentially blunted if the FX hedging associated with each trade ends up with suboptimal performance.

Moreover, it's worth remembering that portfolio managers are paid to make decisions around the underlying investment and the last thing they want is to have a skew either way, positive or negative, that's attributed to currency gains or losses.

INDUSTRY TRAILBLAZERS

As a result, we have seen increasing demand from these types of asset managers to utilise our Execution Management System (EMS) to ensure they achieve improved Operational Alpha by automating their overnight FX trades based on a fully customisable set of parameters.

As part of these parameters they are utilising highly accurate proprietary 360T data feeds as a benchmark to tolerance check pricing and ensure they are always executing within a pre-defined proximity to the market midpoint.

"As a result, we have seen increasing demand [...] to utilise our EMS to ensure they achieve improved Operational Alpha, by automating their overnight FX trades based on a fully customisable set of parameters.

And while sometimes it can be hard to put definitive numbers around the value of this Operational Alpha, in other instances it can be fairly straightforward. In the previous example of the equities fund, the firm could perhaps analyse the rate at which the underlying equity was bought or sold at during the US time zone versus the rate that the hedge was executed at.

Currently, we do see some disparity in terms of the types of firms who are focused on implementing advanced technology solutions to deliver improved returns via optimised operations. The large global asset managers that we work with have, generally speaking, been the trailblazers in this regard.

To give another example, one popular and very effective way that these firms are seeking to reduce costs and achieve best execution on behalf of their clients is by netting buys and sells together. This reduces the notional amount that the LPs need to quote and thus lowers overall transaction costs.

NETTING BENEFITS

The 360T EMS supports netting of trades in both a manual and automated fashion based on a flexible and completely bespoke set of underlying rules and criteria. This supports trades in both directions, with multiple tenors and many underlying accounts.

At a basic level, trade intentions can be grouped by common criteria such as currency pair, product, tenor, or notional amount. More sophisticated netting criteria can also be used though, such as time of day, fund, provider, net exposure, custodian, in addition to a range of other custom fields.

Leveraging these tools for netting can accomplish meaningful cost savings for the end client.

If an asset manager buys 50m EUR/USD at a spread of 5 pips (the estimated market average) for one client and sells 25m EUR/USD at a spread of 3 pips (again, the estimated market average) for another, that now nets down to a single buy for 25m.

The total cost saving associated with this netting process would equate to roughly USD $12,500. Extrapolate this over days, months and years of trading and swiftly becomes clear how significant this can be on overall performance.

TARGETED SOLUTIONS

While the large global asset managers might have taken the lead when it comes to generating Operational Alpha around their FX trading, they are also paving a trail that makes it easier for other firms in the market to leverage technology to achieve similar results.

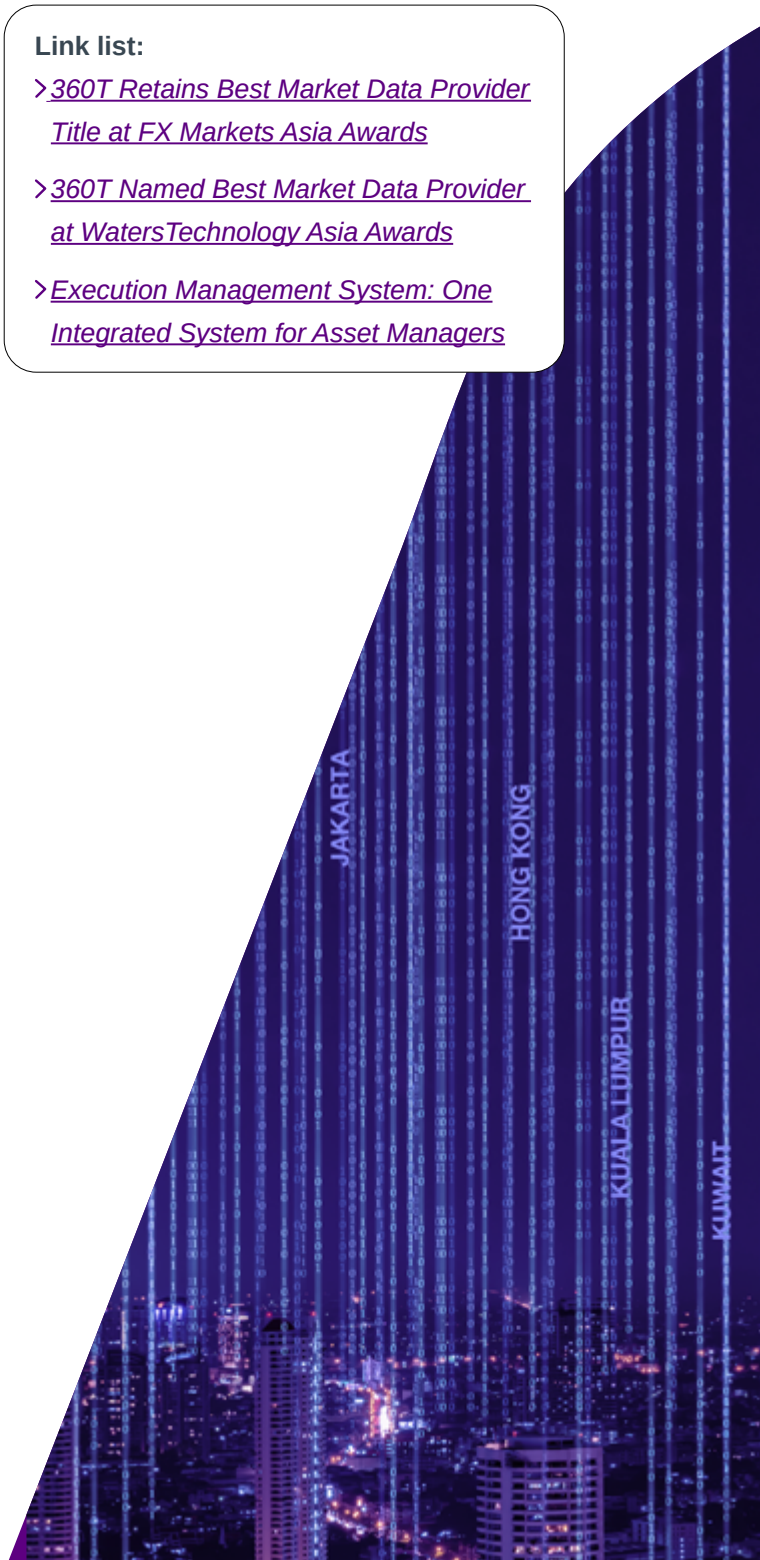
This is perhaps one of the reasons why we are seeing a greater appetite for technological change amongst this client segment more broadly right now. But, in the same way that we noted at the top of the piece that technology requirements vary within different geographies in APAC, so too do they differ between different firms.

This is where the importance of partnering with technology providers who offer a consultative approach to implementing new solutions becomes apparent.

In order to maximise Operational Alpha for their businesses, firms need workflow tools which are tailored to their specific needs, and we are now seeing an increasing number of clients looking for best in breed FX-specific solutions that can cost-effectively deliver against geographically specific criteria.

Link list:

- *360T Retains Best Market Data Provider Title at FX Markets Asia Awards*
- *360T Named Best Market Data Provider at WatersTechnology Asia Awards*
- *Execution Management System: One Integrated System for Asset Managers*



SAP

Laura Bormuth, a Senior Finance Specialist at SAP, discusses how her firm has been leveraging technology to remove existing pain points, increase productivity and reduce time-consuming manual processes around its FX trading.

Laura Bormuth
Senior Finance Specialist, SAP

360T: Historically, what have been some of the biggest FX pain points for SAP and how have you overcome these?

Laura Bormuth (LB): Probably the biggest challenge for us was that as SAP continued to grow globally, the team was tasked with more responsibilities and hedging more currencies, and as a result both the volume of FX trading and complexity increased, while the size of the treasury team itself remained pretty stable.

Having joined the treasury team at SAP myself in 2019, it is hard for me to imagine, but there was a time when all of our FX transactions were done bilaterally over the phone with the banks!

Our constant growth meant that by 2004 it had become abundantly clear this was not a sustainable way to run our FX operations effectively, and so the decision was made that we needed a platform that would enable us to standardise and optimise our FX trading process.

After conducting some peer group analysis we selected 360T as that platform, but initially we only used it in a standalone manner to execute transactions and ensure that everything was manually captured in our Enterprise Resource Planning (ERP) system.

However, then we took the next step of integrating to 360T as an inbound channel, in order to have a more seamless and automated process for capturing transactions in our back-end system. And as SAP continues to grow, we keep looking for ways to streamline and improve our FX management and trading.

360T: A few years ago, SAP introduced a new treasury dashboard, how has this helped with your FX management and/or execution?

LB: The treasury dashboard is a great example of co-innovation within SAP. The genesis of its creation was the global treasury and analytics teams coming together to look at how we could leverage data to automate our reporting activities, which up until that point had been produced in a semi-automated manner.

On the FX side, one of the key benefits of the interactive dashboard is that it gives us much more visibility in a number of different areas with slice and dice functionalities. It provides a real-time overview of all the hedges that we have in place, a competitive ranking of our banks where we can see the volumes we have traded with each, and a breakdown per group entities and the different FX instruments we use. These functionalities help us with reporting and relationship management, and then on the operational side the dashboard provides a counterparty limit overview which we can use to check on available limits before entering into an FX transaction.

Developing and enhancing the dashboard further is an ongoing project here, so in addition to embedding new features and functionalities into it we are expanding its scope so that it can provide overviews for other asset classes too.

360T: You mentioned before about having to handle larger FX flows, while maintaining a stable headcount in the treasury department. Has technology helped you to manage this?

LB: Yes, absolutely. We continue to improve our FX related processes via standardisation and automation, and technology plays a pivotal role in enabling us to achieve this.

Another successful co-innovation project at SAP has been the development of a real-time view of our balance sheet exposures and the related FX hedges we have in place. This includes a drill down functionality, where we can go down to single line items to really understand where the exposures originate from. So if I see that there is a net open exposure I can do an FX transaction and this would immediately be reflected in the balance sheet exposure.

I would also highlight the launch of SAP's universal Trading Platform Integration (TPI) as something which has made a significant difference for us by offering two-way capabilities (in- and outbound channel) and ensuring that our FX transactional flow is much more stable and clearly visible to the front office team.

In the past, our previous channel (inbound only) was something of a black-box and if there was an issue, let's say with the connection, then we had to reach out to different teams to find out what was going on, reach out to 360T and ask for files to be re-sent, etc. Now we have the ability to check and identify the root cause on our own.

> **We continue to improve our FX related processes [...] and technology plays a pivotal role in enabling us to achieve this.**

Another change we introduced last November is the creation of automated hedge requests for our forecasted exposures.

360T: How does this work?

LB: Our risk management team uploads the raw data of the forecasted exposure into the system (Exposure Management) and then within the Hedge Management Cockpit, a set of predefined rules is automatically applied to calculate the volumes that should be hedged.

From there, the requests are sent out to our TPI where the trader can review the trade requests before they are sent to the selected trading platform – in our case for FX that's 360T. The trader can also select the counterparties that the request shall be sent to, but other entries like volumes and maturity dates are already pre-set. After execution, the trades are automatically transmitted via TPI into the ERP system and reflected in the Hedge Management Cockpit so we can see that we're at the specific hedge ratio which we aim for.

This end-to-end straight through processing (STP) enables us to maintain governance of the trading and risk management process whilst reducing potential errors and increasing transparency and efficiency.

We will, going forward, also implement the same process for our Balance Sheet Exposure and on the execution platform side there is still additional functionalities we aim to leverage to further standardise our activities.

360T: Can you please provide some examples?

LB: Sure! One is the roll-out of short-term-deposits via the 360T platform. This will offer us the same electronic workflows and controls as for FX, helping us to streamline and automate our processes.

Another example is the Trade-As functionality on 360T, which enables us to hedge (or invest in term-deposits for that matter) on behalf of SAP SE as well as our subsidiaries. Within the Trade-As setup it's possible to allocate a certain group of traders for each subsidiary, which can be from the head-office or the local entity.

Also, each Trade-As entity can use its own bank basket, allowing us to ensure that trade requests are only sent out to those counterparty banks which are eligible for the intended deposit or FX transaction.

It is worth pointing out that the Trade-As functionality in 360T, also allows to manage access and viewing rights and allows us to set limits with regards to amounts, products, currency pairs and legal entities.

360T: Switch gears slightly, the pandemic has obviously disrupted treasury operations over the past couple of years — what have been your takeaways from this period?

LB: Everyone in the organisation had to adapt to the circumstances and be agile. However, from a SAP perspective it wasn't actually disruptive for us as a team at all, because we already had the technical setup and communication channels in place to work from home, prior to the onset of the pandemic.

The biggest challenges occurred around operational issues. For instance, some of our documentation and deal checking processes required wet ink signatures on physical documents and so we had to switch to digital signatures.

On a more personal level I would say that there are still constraints around socialising. We have found ways of collaborating effectively with one another and we have introduced meetings where there's no agenda and it is just an opportunity to grab a coffee with colleagues. But despite this, the increased amount of meetings and calls that occur in a virtual setup mean that one gets less opportunities for what I would call "unstructured socialising" with colleagues.

We recently had an SAP wide global mental health day, which was introduced during the pandemic to give everyone a day to focus on themselves and their own mental health, which is a great opportunity. Also "focus Friday" was introduced in Germany, meaning that less meetings (ideally no meetings) shall take place on Fridays to take the time to concentrate on work without disturbance.

360T: Looking ahead, what (if any) technological advancements — AI, blockchain, crypto, etc. — are you particularly keeping an eye on for the future?

LB: We are of course monitoring the new technology developments which might have an impact on the treasury department and are collaborating with other teams internally to look at the potential use cases for each. That is next to the technology radar we have in place at SAP so we are monitoring which emerging technologies may benefit our own product portfolio. Of course, AI is important for SAP: we have a rich set of AI use cases in our portfolio and many of them in finance products.

I think that over time some of these new technologies will be introduced also in Treasury — for example, AI could be applied to make processes more efficient, while blockchain could be used to increase security e.g. for the exchange of SSI, which is currently done via email.

Data Disclosures: PUTTING THE CLIENT IN THE DRIVING SEAT

Colin Chau, Head of Analytics at 360T, discusses the value of giving buy-side firms control of their own data

Colin Chau
Head of Analytics at 360T

People are becoming increasingly cognisant of the value and importance of data in an ever more technology driven world. This is particularly true in the Foreign Exchange market.

Over the years we've seen more FX trading shift towards electronic channels, technology has driven new efficiencies and spreads have compressed as a result. The pressure on Liquidity Providers (LP) to be ever more competitive has forced greater examination of what goes into price construction, how a trade is hedged, the way a client interacts with liquidity and ultimately the spread and skew that an individual client sees.

On the buy-side, meanwhile, we've seen firms go from competing their LP pricing via phone to using multi-dealer platforms to aggregate pricing and then use a Smart Order Router to find execution efficiency. As spreads find a natural level, we are now seeing the buy-side take a closer look at their execution processes.

Analysis includes quantifying their market-impact, breaking this down by currencies, products, trade size, and even time of day. They also examine the impact of individual LPs, both in isolation and in terms of the impact that they have across a broader pool of LPs.

DEEPENING ENGAGEMENT

As a result of these changes, having access to data is crucial for both sides of the trade to achieve their aims of achieving correctly priced and consistent access to liquidity.

The provision of data for a venue like 360T is about striking a balance between sharing data which aids Liquidity Providers in reaching the correct price, while simultaneously ensuring that the confidentiality and trading style or requirements of the client are not compromised. It is against this backdrop that 360T introduced Data Disclosure Configuration (DDC). This tool gives buy-side firms more control over their trading data, and the extent to which it is shared with LPs.

The idea is to help deepen the level of engagement between LPs and buy-side firms around FX execution.

The idea is to help deepen the level of engagement between LPs and buy-side firms around FX execution.

LPs can articulate to the Takers the benefits of providing greater granularity, which once agreed and understood can be actioned at the click of the button. The data provided should serve as a platform for the LP and client to better understand the mutual goals they are seeking to achieve.

More specifically, clients can now choose to share:

1. PLATFORM VOLUME/TICKETS — Once enabled users can share their total wallet size with subscribing LPs. This information will be principally used to conduct market share analysis.

2. BANK BASKET — Once enabled users will share the size of the Bank Basket (number of LPs) on each requested transaction with subscribing LPs. This information will be principally used to tailor future pricing.

3. TRADED PRICE — Once enabled users will share the 'traded away' rate on requests with subscribing LPs. This information will be principally used to tailor future pricing.

4. RANKING — By product, clients can share rankings with subscribing LPs. This information will be principally used to conduct market share analysis.

360T users can choose to disclose this information on a daily or monthly basis, providing them with an easy way to share more information with their liquidity providers on a regular and scheduled basis.

By putting clients in the driving seat when it comes to controlling their own data, we believe there is an opportunity for them to receive more granular, and therefore potentially improved pricing from their LPs as a consequence.

BENEFITS OF DISCLOSURE

One example to consider is if a buy-side firm used the DDC to disclose the 'traded away' price of an execution. If the client requested a price from 8 LPs, they would presumably execute on the best price. The 7 non-winning LPs, have no knowledge of how far they were from winning the trade, nor whether a trade actually happened.

> **At heart, the DDC is about putting clients in control of their own data.**

Through DDC, at the end of the day, the non-winning LPs would get knowledge of where the trade was executed, giving them valuable feedback on their own pricing quality. The buy-side can also benefit because, by providing LPs with more information about their execution expectations, they help these LPs to understand what is needed to win their trades.

Another example is that if a client chooses to disclose information about the size of their bank basket, it could potentially result in better pricing. This is because if the LPs are able to see that the client is only receiving pricing from a small pool of counterparties then it could encourage them to be more competitive and lead to improved pricing as a result.

At heart, the DDC is about putting clients in control of their own data.

The default setting is set to 'off' and so enablement is a positive action. Customers should discuss with their LPs the benefits of greater disclosure.

Certain disclosures may not suit the trading pattern of a client; it may also be possible to trial disclosure to monitor the impact of more detailed information sharing. Note that clients using the DDC can reverse their decisions at any time by simply changing their preferences within the configuration.

Data is increasingly valuable in the modern trading environment and so it is critical that market participants have a strong understanding of how it is used and shared. DDC is an engagement enabler, designed to help LPs provide improved customisation and provide clients with greater control over their preferences and desired execution outcomes.

A NEW WAY TO TRADE BASE METALS

Simon Jones
Chief Growth Officer at 360T

Simon Jones, Chief Growth Officer at 360T, explains why applying FX trading technology to the Base Metals marketplace is likely to be a game-changer.

In financial markets there have been countless examples of technologies or concepts being taken from one asset class and successfully applied to others.

For example, high-frequency trading initially emerged in the equities market, but soon the firms utilising this technology began to trade FX and today they are some of the most prominent market makers in the business.

Similarly, transaction cost analysis (TCA) tools were first developed in equities but have since been exported to FX and other asset classes as a means of measuring and improving execution outcomes.

And now at 360T we're applying our FX experience, expertise and technology to enable our clients to more effectively trade Metals products. More specifically, we are extending the streamlined and automated trading tools we offer in FX to Base Metals and we are replicating the design and structure of 360T's and DIGITEC'S award-winning Swaps Data Feed (SDF) but within the Precious Metals market. It's worth breaking down the benefits and opportunities associated with each of these initiatives, and how they can directly benefit 360T users.

OVERCOMING CHALLENGES

Even as 360T has grown and evolved over the years, our core value proposition we offer FX market participants has remained fundamentally the same – we enable them to lower costs, achieve their desired execution outcomes and streamline their trading operations.

And it is precisely with these aims in mind that we have built out our latest offering in Base Metals, giving our users the opportunity to trade these products in a more efficient, automated manner while also putting pricing into competition to ensure best execution.

Working in close consultation with our partners on both the buy-side and the sell-side we now offer Outrights and Spreads in Aluminium, Copper, Iron Ore, Nickel, Tin and Zinc.

This is a significant departure from the existing execution methods for these products, which remain highly manual with the majority of OTC activity being traded via voice channels or in chats (although it is worth mentioning that there are some impressive single bank platform offerings).

The challenges which this presents to traders and treasurers are familiar ones. Limited transparency in the Base Metals market makes proving best execution difficult and time consuming, while the manual processes necessary to trade these products eat up valuable time resources on the desk and create operational risks across the trade lifecycle.

Such challenges are significant but not insurmountable, and we know this because these are the exact problems that we have solved for already in the FX market. Therefore, it felt like a natural development for 360T to begin applying our solutions to Base Metals too.

A FUNDAMENTAL SHIFT

Our first foray into this market has been built into the 360T Execution Management System (EMS), a next-generation workflow solution which we've spent the past six years pouring a vast amount of resources and investment into. One of the most popular use cases of our EMS within FX has been

to automate trade workflows, and we see a clear opportunity to carry this across into Base Metals.

While connectivity to client OMS and TMS is standard, one of the most popular use cases of our EMS within the FX market has been the full automation of trades with precision timing and best execution in mind throughout the life cycle, ending with booking. The same advanced automated trading tools, which allow firms to conduct low-touch or no-touch trading using a tolerance check to ensure that their trades are never executed further than a pre-defined distance from the market midpoint, has now been adapted for Base Metals too.

Although we firmly believe that this represents a fundamental shift in the way this market operates, the fact that we have observed a strong investment from many of the biggest Market Makers in their e-pricing capability of late gives us confidence that we are in-line with the pace at which this asset class is evolving. Auto-quoting will be standard at this time next year, with some already capable today.

Innovation has always been a central tenet of 360T culture ever since we launched over 20 years ago, and 2022 is another big year of investment from us.

However, the investment that 360T has made in Base Metals does not begin and end just at our EMS. We've seen a huge, and frankly somewhat surprising, surge in interest amongst some of our biggest clients to trade these assets across 360T. As a result, we expect to expand the offering into our Bridge platform before the year is out.

The key target of this development will be corporate hedgers who have similar but often more custom requests, including Asian Swaps. So keep an eye for more announcements from us in Q4!

A WINDOW INTO PRECIOUS METALS

The other recent innovation in the Metals space has been the launch of our Precious Metals Data Feed (PMF), which complements our existing and well-established Precious Metals offering. To create it, we once again partnered with DIGITEC and leveraged the same technology and design which underpins the SDF, arguably the flagship p roduct within our highly acclaimed suite of market data products.

The PMF provides a live streaming curve which is derived from banks' core pricing engines, helping to shine a light on a previously opaque marketplace and enabling market participants to significantly enhance their Precious Metals trading capabilities. The currencies currently available on the PMF are XAU/USD and XAG/USD. It can be accessed via FIX-API, view only web GUI, within the 360T trading solution or via DIGITEC's D3 Pricing engine.

The PMF works by streaming data across the curve in tenors from ON up to 2Y, consolidating these multiple bank curves in one aggregated market view. Because the data is coming directly from pricing engines of a carefully curated group of market making banks, the PMF captures rare market intelligence that is simply not available anywhere else in the market today.

By providing an accurate window into the Precious Metals market, this data feed supports price discovery and helps buy-side firms to achieve their best execution mandates. It also helps them to more accurately benchmark their trading activity and conduct effective transaction cost analysis in order to improve performance and deliver increased returns to investors and stakeholders. In addition, the PMF can also be a valuable tool for refining and enhancing trading strategies and boosting market making capabilities.

INNOVATION AND INVESTMENT

Innovation has always been a central tenet of 360T culture ever since we launched over 20 years ago, and 2022 is another big year of investment from us. As always, we continue to listen to our customers as we look for new ways to reinvest back into our platform and improve the user experience of both Makers and Takers.

Having built a range of market leading technology solutions within FX we are always looking for opportunities to expand these out in order to help support our clients trade other asset classes more effectively. The feedback we have received from them as a result of our efforts has been overwhelmingly positive, and we will continue to develop our offering even further in other directions in the years to come.

FX ALGOS: LOOKING BEYOND THE SPOT MARKET

Jeremy Carvell, Head of Liquidity Sales EMEA at 360T, takes a look at the next frontier for FX Algo trading.

Jeremy Carvell
Head of Liquidity Sales EMEA, 360T

In a previous edition of FX Spotlight we looked at the growing use of Algorithmic execution in the currency markets and explained that during the pandemic this trend has only accelerated.

In a survey of 718 institutional and professional FICC traders conducted by JP Morgan earlier this year, 63% of respondents said that they expect to execute more of their trades via Algos in the future. In FX specifically, traders predicted an additional 19% of their overall flows will be traded by using Algos.

The growth of FX Algos has been well documented, but there has been less attention paid to what types of instruments are being used to trade. This is probably in large part due to the - often implicit - assumption that when we talk about Algo trading we're really talking about FX Spot. Fair enough, this is where the overwhelming majority of FX Algos have been deployed.

The Spot market is highly liquid (for the most commonly traded deliverable currency pairs) and there is a high percentage of volume executed electronically and across a range of channels and platforms.

But like all things in FX, the skills used to develop the Spot Algo market are being deployed to other instrument types which are now being requested by buy-side institutions and firms, most notably NDFs and Outright Forwards.

THE NEXT STEP

Clients have been using Algos in the Spot market for many years. Through experience, trial and error and a proliferation of tools to help clients measure Algo performance, clients are well equipped to quantify the value which these products have delivered.

....clients are well equipped to quantify the value which these products have delivered...

Given that clients can measure performance down to the currency pair, time of day and prevailing market conditions, there has also been a growing sense of comfort in their usage. And with that, clients now look to see how they can use the same tools across other instruments.

...there has been a growing sense of comfort in their usage.

Which explains why Forward and NDF Algos are proliferating, too. Especially in the less liquid instruments, there is an opportunity to benefit. The potential cost savings for using an Algo in the NDF market can be substantial. Electronic but less liquid markets like the major NDF pairs mean there is an opportunity for Algo users to minimise transaction costs while reducing signaling and information leakage through the adoption of strategies that allow for adjustment to the market environment. Lessons have been learned from many years in the Spot market.

The growth in NDF Algos has been aided by a significant change in the marketplace. Over the past couple of years we've seen multibank platforms — including 360T — broaden their NDF offering from not just RFS but to a streaming offering also.

This is important because having liquidity pools of sufficient depth and quality is vital to ensuring the performance of executions Algos. And as NDF liquidity becomes more fragmented across multiple venues, Algos can deliver better execution outcomes by trading across them.

Streaming in itself reduces signaling risk as only the receiver of the trade is aware of its occurrence. For large trades, in less liquid markets this soft approach is very important in minimising market impact.

A VIRTUOUS CIRCLE

NDF Algos are new but the genesis of them comes from many years of activity and experience in the Spot market. As the industry branches into traditionally less liquid markets it seems reasonable to expect a virtuous circle of increased liquidity, leading to more Algorithmic executions to increased liquidity. As this market matures there is no

doubt that execution costs will continue to come down.

Forward Outrights are another growth area of Algo execution which we see on 360T. A solution for clients which want to hedge to a specific exposure date, combining the liquidity of the Spot market with the convenience of having the trade rolled to the appropriate settlement date.

So what next? The direction of travel looks clear. Both Forward and NDF offerings are on the increase. 360T has already expanded Spot Algo integration to include forward and NDF with a dozen LPs. What's more, we know Liquidity Providers are already turning their attention to the biggest market of all - FX Swaps – so certainly more of that to come.

The top 10 strategies on 360T so far this year:

Provider	Strategy
ANZ	TWAP
BNP	TWAP
BOA	Whisper
DB	Stealth
GS	Dynamic
HSBC	HTWAP
HSBC	Liquidity Seeking
JPM	TWAP+
JPM	Float
NAB	TWAP

To see all strategies, visit our website.

To learn more about 360T's Algorithmic execution capabilities please get in touch with your account manager or our Algo specialists:

Jeremy Carvell, Head of Liquidity Sales, EMEA:
jeremy.carvell@360t.com

Brandon Primack, Head of Execution Managment, Americas:
brandon.primack@360t.com

FX Media Updates

360T is Second Venue to Demand FX Code Compliance

360T is Second Venue to Demand FX Code Compliance – *FX Markets*

The platforms' policies are one answer to a long-standing question about how the code can be given teeth.

Solving the Treasurers' Conundrum

Solving the Treasurers' Conundrum – *Corporate Treeasurer*

Automation in APAC can enable corporate treasurers to increase the efficiency and productivity of their foreign exchange FX trading without having to invest in additional staff or multiple different technology solutions.

APAC: Demand for FX Automation Mirrors Trends elsewhere

APAC Corporate Treasury: Demand for FX Automation Mirrors Trends elsewhere — *E-Forex*

FX Automation in APAC with Greg O'Sullivan.

360T wins Market Data Vendor of the Year at Risk Awards 2022

360T wins Market data vendor of the year at Risk Awards 2022

– *Risk.net*

360T's market data suite solutions solve specific needs for foreign exchange market participants, and provide comprehensive and holistic solutions for a wide array of clients.

Bridging the Gap Between Traditional & Digital Currency Markets

Bridging the Gap Between Traditional and Digital Currency Markets

– *FX Markets*

360T explores how traditional solutions from the FX markets can further advance the digital currency space by diversifying its range of participants.

360T Podcast Episodes

Ivan Asensio, Head of FX Risk Advisory, Sillicon Valley Bank

Ivan Asensio from Silicon Valley Bank discusses two recent papers, which he co-authored looking at the impact of FX on firms looking to raise equity and those preparing for an IPO.

Pedro Jobim, Chief Economist and Founding Partner, Legacy Capital

Pedro Jobim, Chief Economist and Founding Partner in Legacy capital talks about how investors shoul be positioning themselves and what we should expect in the currency markets.

Hugo Gordon, Senior Policy Advisor at the Investment Association

Hugo Gordon discusses the FX Global Code of Conduct, highlighting some of the factors which might have slowed buy-side adoption previously and areas where increased clarity has been welcomed by the IA's membership.

Eoin Fahy, Head of Responsible Investing at KBI Global Investors

Eoin Fahy from KBI Global Investors provides a buy-side perspective on ESG investing, arguing that applying these principles to investment decisions actually helps rather than hinders the overall performance of portfolios.

Duncan Higgins, Founder, Sustainable Trading

Duncan Higgins from Sustainable Trading argues that while much of the focus has been on products or processes that are ESG-friendly there are myriad of ways that operational processes could also be improved on this front.

Colin Lambert, Co-Founder of The Full FX

Colin Lambert says that the FX Swaps will continue to propel the overall marketplace towards growth and makes a series of predictions — from fintech consolidation and regulatory disruption to a potential stablecoin blow-up and a shake-up in the FX prime brokerage space.

Please do not hesitate to contact your local account manager for more information or contact us at

fxspotlight@360t.com

360t.com

Europe
Frankfurt
Tel: +49 69 900 289 0

Americas
New York
Tel: +1 212 776 2900

Asia Pacific
Singapore
Tel: +65 6597 1770

Middle East
Dubai
Tel: +971 4 458 7440

South Asia
Mumbai
Tel: +91 22 4077 1437