DEUTSCHE BÖRSE GROUP

FX Spotlight

Global Views, Local Insights

STATE OF THE INDUSTRY

What Comes Next for FX?

Issue 04 / 2024

WHAT COMES NEXT FOR FX?

Carlo Kölzer, CEO of 360T Group and Head of FX & Digital Assets at Deutsche Börse Group, picks out the key trends that will play out across the FX industry in 2024

Carlo Kölzer, CEO of 360T Group

Both economically and geopolitically, 2023 was another tumultuous year that left many important questions unanswered.

Will the US Federal Reserve manage to continue on its current path and achieve a soft landing? How will the conflicts in Ukraine, the Middle East and elsewhere evolve? What will the political ramifications of this year's elections be, when countries containing more than half of the world's population all head to the polls?

These are all difficult topics to predict with any degree of certainty. What we can be more confident about are some of the key themes which are likely to affect the FX industry in the months ahead.

Chief amongst these will be – yes, everyone's favourite topic – regulation.

NAVIGATING DIVERGENT REGULATORY REGIMES

After the UK voted to leave the European Union (EU) in 2016 there was concern across the financial services sector that businesses could be disrupted by divergent regulatory regimes if Britain sought to implement its own rules and regulations for the industry. Given that the UK remains the largest global hub for FX trading globally, this concern was especially acute for firms operating in this marketplace.

The regulatory impact of Brexit on firms operating in the FX market was initially relatively muted, even when the UK formally left the EU in 2020, due to various temporary regulatory provisions put in place to minimise disruption. However, with these now expired we are indeed seeing the emergence of two distinct regulatory regimes.

That is why in January 2024 360T launched the UK Multilateral Trading Facility (MTF) alongside our existing European MTF, to ensure that we are fully compliant with the rules in both jurisdictions and that there was no disruption for our clients.

Another important regulatory development over the past year was the release of the final opinions from the European Securities and Markets Authority (ESMA) and the UK Financial Conduct Authority (FCA) regarding the Trading Venue perimeter. In both cases, the authorities concluded that the vast majority of existing electronic OTC trading platforms operating in their respective jurisdictions would have to reconfigure themselves to become EU or UK MTFs.

But what does all this actually mean in practice? Well, we know from experience that launching an MTF takes time and it requires significant resources (legal, operational, technical, etc). So the firms that now need to do this will have to, firstly, divert existing resources towards this project and, secondly, manage the costs associated with this. That means planned innovation and development might be put on the backburner while additional costs will either have to be passed onto customers or absorbed by the business.

ADAPTING TO T+1

Another big theme for 2024 will, undoubtedly, be the shift from T+2 to T+1 settlement in the US and Canadian Securities markets scheduled to occur in May 2024. While this change is designed to make these marketplaces more efficient and reduce risks, the knock-on effects for the FX market will be significant.

For example, with the US equity market closing at 4pm EST there will be very little time left on T+1 to match the equity trades and to then generate and execute the FX required to settle them. This is forcing some market participants to consider whether they need a local presence to manage that activity in the US trading day, or an automated or outsourced solution that can support the required trade management and FX execution in a very streamlined and robust workflow.

The impact that this change will have on FX market liquidity is also unclear. Typically, it tends to thin out at the end of the US trading day but after the shift to T+1 there is likely to be much more demand for liquidity in these hours.

In the second half of 2023 there was a flurry of whitepapers, news articles and panel discussions on this topic, and so the challenges for the FX market have been well documented. But the question remains regarding how smoothly the industry will be able to adapt.

CRYPTO TAKES OFF

Cryptocurrencies continue to prove their resilience year-after-year, and we think that in 2024 we'll see more traditional FX market participants trading these products.

The decision by the US Securities and Exchange

Commission (SEC) to bring a legal case against Binance, a major crypto exchange, was yet another public relations blow to the digital asset industry, yet demand for cryptocurrencies remains strong — as evidenced by the price of Bitcoin, which almost doubled in the second half of 2023 and has seen its all time high in March 2024.

More recently, the continued demand for cryptocurrencies was demonstrated following the launch of Bitcoin Exchange Traded Funds (ETFs) in the US, which registered $4.6 billion in volume on their first day of trading.

ETFs are actually a good example of how a transparent, trusted, regulated trading environment can help unlock pent up demand for cryptocurrencies. We see a similar dynamic with our partners in the FX market today — many of them want access to cryptocurrencies but don't (with good reason, perhaps) trust the existing market infrastructure and have reservations regarding regulatory and compliance issues.

> **360T has launched crypto-currency NDFs this year, providing FX market parti-cipants with the ability to trade crypto- currencies.**

This is precisely why 360T has launched cryptocurrency NDFs this year, providing FX market participants with the ability to trade cryptocurrencies across our proven and robust platform without having to hold the underlying assets themselves.

INNOVATING IN FX SWAPS

Focusing back on the traditional FX market, we think that 2024 will be the year that we see a very real and tangible change in how FX Swaps are traded, particularly amongst banks. The 360T Swaps User Network (SUN) was launched into a challenging environment for a new platform, given that it was announced two months before Covid-19 hit and the whole world got turned upside down.

However, the economic case within banks for electronifying and automating their FX Swaps trading has always remained strong. We now offer the trading, credit and technology solutions to support this and, with the pandemic now largely in our rearview mirror, we're seeing momentum around 360T SUN really beginning to grow.

We marked two major milestones on the platform in the second half of 2023 as we enabled banks to begin trading FX Swaps via API and match at the market midpoint for the first time, and also became the first platform to offer round the clock API pricing for these instruments. Our innovation in this space is increasingly being recognised by the FX industry as 360T SUN was named the Best Sell-Side OTC Trading Initiative for the second year running by WatersTechnology.

Having firstly delivered the technology and then secondly proved its value and validated its proposed use case, the next step is to begin scaling up the platform. We are confident that will happen in 2024 as the advantages of automating FX Swaps activity become too evident to ignore and banks still trading across more manual channels see they're putting themselves at a disadvantage.

PUTTING THE ARGUMENT TO REST

The growing use of Exchange for Physical (EFP) products is another change that we're anticipating in the FX market.

For many years now there has been speculation about whether some of the liquidity in the OTC FX marketplace would shift towards exchange listed FX products that are centrally cleared. This speculation was driven by regulatory changes which are making it more capital intensive for FX market participants to trade certain OTC products bilaterally, while by contrast, central clearing can help to alleviate this burden.

Once again, the FX industry has demonstrated its ingenuity by turning a challenge into an opportunity. Rather than viewing OTC vs. listed and cleared trading as a binary either/or proposition, market participants are turning towards EFPs, an existing product which enables them to combine the best elements of both marketplaces.

In essence, EFPs allow market participants to draw on the vast FX liquidity that exists in the OTC market and provides them with the flexibility of a bilaterally negotiated contract before the trade is then moved onto the exchange to gain the capital, and in many cases operational, efficiencies of central clearing.

Getting the best of both worlds is obviously very attractive, and that's why last year we saw a distinct uptick in interest from both our buy-side and sell-side partners in accessing EFPs via 360T. In 2024, we think that this will materialise into the increased trading of this product and, hopefully, help put to rest a tired and outdated debate about where the future of FX trading lies.

EMBRACING CHANGE

A final point – while we can't predict global economics or geopolitics with any certainty, the expertise and experience of the FX market that we collectively have at 360T means that we are able to forecast some of the key trends that will impact our industry with a fair degree of confidence. But forecasting is one thing, actually anticipating these changes and responding appropriately is another.

That is why at 360T we have moved swiftly and expediently to ensure that we are able to offer a trading venue that caters to an increasingly fragmented regulatory environment and remains agile enough to support changing user behaviour as firms adjust to new settlement requirements in equities.

If change remains the one constant in the FX industry, it's one that we are eager and happy to embrace.

It's also one of the reasons why we continue to innovate by launching new products and platforms, such as Crypto NDFs and 360T SUN, to meet the changing needs of our clients in a marketplace that is constantly evolving.

EMS PLATFORMS: STANDING OUT FROM THE CROWD

Sebastian Hofmann-Werther
Head of EMEA at 360T

Sebastian Hofmann-Werther, Head of EMEA at 360T, outlines what really differentiates EMS platforms today.

Execution Management Systems (EMS) have always been of key importance to buy-side firms trading FX, but in recent years this has become more acute as these firms have been under growing pressure to reduce execution costs, increase productivity, reduce operational risks and streamline the entire trade lifecycle.

Recognising the value and importance of EMS platforms to these client segments, 360T has in recent years invested significant time, effort and resources into building what we believe is a best-in-class, next-generation EMS.

This claim is backed up by the recognition we have received from the financial industry. In 2023 alone, 360T was named as the Best EMS for FX at the US Markets Choice Awards, Best EMS Provider at the WatersTechnology Asia Awards, Best FX Order/Execution Management System at the Euromoney FX Awards and Best Buy-Side EMS at the WatersTechnology Buy-Side Technology Awards 2023.

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We believe that there are... four main pillars which differentiate EMS platforms today: Automation, Data, Workflow Solutions and Innovation.

It's not just about awards though. What really makes a great EMS platform?

Obviously, there is a set of standard functionalities that any EMS platform needs to have in order to help buy-side firms of all shapes and sizes improve their FX trading capabilities. But going one step beyond this, we believe that there are — broadly speaking — four main pillars which differentiate EMS platforms today: Automation, Data, Workflow Solutions and Innovation.

1. AUTOMATION

Whether it's a result of market volatility, company growth or internal pushes for efficiency, it seems like every buy-side firm we talk to today is asked to handle additional tasks, while Trading and Treasury teams aren't necessarily increasing at the same rate. As a result, we're seeing a broad push towards greater automation across the entire FX industry.

While every EMS platform provider is touting automation tools, "automation" itself is a very broad term. To some it means automating manual time-consuming processes such as grouping orders considering bank basket intersections. To others it can mean auto-executing low value orders where traders add little value. In our opinion, an EMS should be able to support full automation across the entire trade lifecycle, including low touch or full no-touch execution where trades are sent automatically from the Order Management System (OMS) or Treasury Management System (TMS) to the EMS, netted and executed based on a set of predefined parameters and using high-quality data as a benchmark, and then seamlessly transmitted back to the OMS or TMS without any human intervention.

The parameter setting capability built into the EMS is of vital importance for this type of trading. As extensive as the options are, where we have differentiated ourselves is in understanding the real use cases which clients face before and at the point of execution. Basic controls around currency pairs, notional size or time of day are standard but levels of liquidity in the market, what percentage of the bank basket is quoting, the speed of the quotes coming in are where we are helping bring an edge in the execution process.

Having high-quality data integrated into the platform which can be used as one of the parameters to ensure trades are never executing more than a pre-determined distance from the market midpoint is also, we think, a major differentiator. And it is critical that the benchmark used is accurate not just for Spot but the entire Swaps curve. Which brings us to...

2. DATA

Market data is the essential fuel of automation as real-time feeds can be used as a price tolerance check to help firms ensure that their execution performance is maintained (or even potentially enhanced), even with less human intervention.

We think that a key differentiator here though is the ability to support auto-execution across multiple products, not just Spot FX. That's why we have also integrated our in-house differentiator, the award-winning Swaps Data Feed (SDF) created by 360T and DIGITEC, into our EMS.

The SDF is a completely unique product because it is derived straight from the pricing engines of 20+ Top FX Banks. Alternatives exist but they are either from undisclosed sources, interpolated and missing critical market data points or simply aggregations which are not subject to the sanity checking process that DIGITEC affords us.

As such, it is really the only accurate tool for proving best execution and, crucially, can also be used as a tolerance check for auto-execution, ensuring that no use as both a tolerance check and to prove best execution trades are ever executed more than a predefined distance away from the market midpoint.

Also, many of the major third party feeds are fully integrated into the EMS for decision making assistance and checks for deviation from fixing benchmark orders.

3. WORKFLOW SOLUTIONS

Workflow optimisation is a top objective for just about any buy-side firm in operation today. As stated previously, their workflows can be particularly complex due to the large volumes of FX trades which they are trading on behalf of a wide array of funds, each of which might have different credit or execution requirements.

One example of an innovative new workflow solution that 360T is pioneering within our EMS is a "Split Risk" functionality, which enables users to automatically compete the forward points before directing their Fixing Orders to the successful market maker.

Another is the "Mixed Givens" solution, which allows buy-side firms to net currency pairs with varying notional amounts and then trade the leftover value in competition, helping to ensure that they get the most favourable pricing available. As part of this workflow, buy-side firms can receive automated-pricing from their counterparties and enjoy full post-trade straight-through-processing (STP) whilst also eliminating some of the "clean-up trades" often associated with these portfolios.

4. INNOVATION

All of the points above are examples of innovation, and we truly believe that this is crucial for any EMS platform.

In our experience, buy-side firms want technology partners rather than providers. This means understanding their needs not only today but also in the future and jointly developing a roadmap to build towards this which in turn benefits all clients. At a time when development resources everywhere are stretched thin, we see these firms increasingly looking towards their technology partners to help them continue to improve their FX trading.

For example, a number of our buy-side partners wanted to trade Base Metals using the same streamlined workflows and automation tools that we have made available to them for FX trading. Working in close consultation with these firms we were able to build out this functionality within the EMS, providing an entirely new way for them to execute their Base Metals trading.

360T ensures that our EMS remains at the forefront of innovation through our commitment to conducting three new technology releases per year, which helps to ensure that our EMS remains at the cutting-edge of the FX industry and is able to develop alongside the evolving needs of our diverse and global client base.

FX is, and always has been, a highly competitive marketplace, and buy-side firms have a number of EMS providers to choose from. That's why we have always believed that to stand still in this market is, in effect, to fall behind and therefore we need to be constantly and proactively innovating both in response to existing buy-side needs but also anticipated ones.

CONCLUSION

Clearly, this is just a broad overview of what we at 360T consider to be the most important components of a modern EMS platform – in reality, each of these differentiating factors are worthy of an article of their own. It also hopefully helps to provide an outline for how we have, and continue to, develop our own platform.

While we are proud of what we've built at 360T, we also understand that there is no room for complacency and so we will continue to enhance and refine the features, tools and functionalities already on our EMS whilst still delivering new and innovative ones.

Link list:

> *Union Investment partners with 360T for Eurex FX Futures Trading*

> *Lufthansa Conducts First Energy Trade on 360T*

> *360T_BASF_Value-Report*

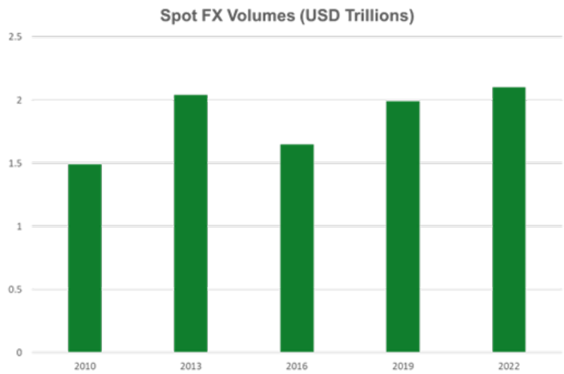
WHERE TO LOOK FOR THE NEXT BIG THING

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

Matt O'Hara, CEO of 360T Americas, details the major trends shaping FX Spot trading and makes the case that there's still room for technological innovation in this marketplace.

Spot FX volumes have increased consecutively in the last three Bank for International Settlements (BIS) Triennial OTC FX Surveys, rising by 27.3% since 2016. Despite this, the daily notional value of FX Spot traded globally, $2.1 trillion, is only marginally higher than in 2013.

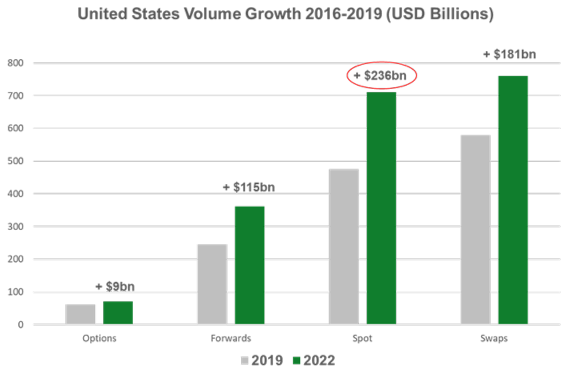
Moreover, while the last BIS survey revealed that FX Swaps volumes grew by 18.7% and Forwards volumes (outright and NDF) by 16.3% between 2016 and 2019, Spot volumes increased by just 6% over the same period of time.



One simple explanation for this discrepancy is that technological advancements have always been a major driver of FX volume growth, and Spot FX is a much more mature marketplace in this respect. After all, the majority of Spot FX trades electronically across a wide array of venues, market data is easy to access, execution algorithms are commonplace and we increasingly see firms automating the trading process for some of their flows.

But it would be a mistake to assume that there haven't been technological improvements in this marketplace, or that there aren't further ones to be had.

And in the Americas we have a front row seat to these changes — despite the headline figures, the last BIS survey showed that Spot FX trading increased by 48%, or $236bn, in the US. This means that a third of all Spot trading globally now occurs here, up from a quarter in the 2019 survey.



BUILDING A BETTER MARKET

One change that we've observed is that this marketplace still continues to become faster and, perhaps more importantly, increasingly deterministic. The introduction of 360T's HyperSonic technology helps to support this trend, supporting more efficient price creation and creating more market data that can be used to improve trading outcomes.

Crucially, the FX industry has also become better at measuring and validating the performance of these trading platforms, analysing not just speed but also median round trip times.

Another trend has been a growing focus on passive orders and firm liquidity. From a platform perspective, the more passive orders are left in the market, the higher that platform's allocation will be in smart order routers (SOR), meaning that more orders will get filled, leading to more passive orders, and so on, creating a virtuous circle.

Since the Global Foreign Exchange Committee (GFXC) clarified that under the principles contained within the Global FX Code of Conduct no additional hold times should be applied to last look checks for Spot FX trading we've observed an increase in firm liquidity. This has in-turn led to higher acceptance rates and more unique liquidity because, by definition, if the price being shown is firm then it can't be spread across many different venues.

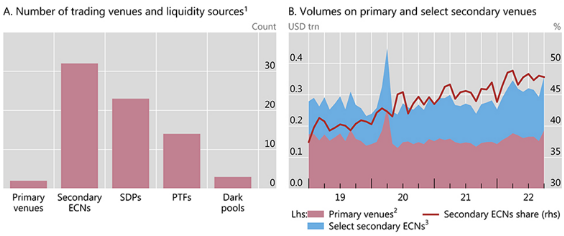
I'm proud to say that 360T has been an industry leader on this front. In October 2022 we announced that only signatories to the latest version of the FX Global Code of Conduct or market makers offering firm liquidity are able to make prices anonymously on our ECN, 360TGTX. This applies across anonymous Spot and NDF trading, for both full amount and sweepable liquidity.

We have now had time to quantitatively and qualitatively analyse the impact of the Code on 360TGTX and have found that it has caused faster round-trip times, less rejected trades, less information leakage and a better understanding of what constitutes "good" liquidity and trading behaviour.

SAVVY TRADING

Linked to this trend is the fragmentation of liquidity. Although industry observers have long been predicting that Spot FX liquidity pools will consolidate, and not without reason, the facts on the ground suggest that actually this marketplace is continuing to fragment further.

With further FX market fragmentation, volumes across platforms diverge — Graph B1



[1] Primary venues: CME/NEX EBS Market and Refinitiv/Reuters Matching; Secondary ECNs: a variety of anonymous and disclosed multi-dealer platforms; SDPs: proprietary single-dealer platforms of FX dealer banks; PTFs: principal trading firms. Dark pools: electronic venues where information about traders' orders is not revealed to other participants. [2] CME/NEX EBS and Refinitiv spot turnover (a proxy for trading volumes on EBS Market and Refinitiv/Reuters CLOBs). [3] 360T, Cboe FX (Hotspot); Euronext FX (Fastmatch); FXSpotStream.

Sources: CBOE; CME; Deutsche Borse; Euronext; FXSpotStream; MarketFactory; Refinitiv; BIS.

Data from the BIS shows that trading volumes continue to shift away from what have historically been considered primary trading venues for Spot FX and towards a growing list of secondary ECNs.

The trend towards firm liquidity could be accelerating this, as firms can aggregate pricing from many different venues with confidence that they can actually hit the liquidity there. Or to put it another way, in a world where liquidity isn't firm they are aggregating information, in a world where it is firm they are aggregating liquidity.

> **Even with the addition of advanced technology tools, human decisions and human relationships remain crucial.**

A final thread that runs through all of these changes is that the people trading Spot FX have become a lot more savvy, especially when it comes to where and how they allocate orders. The availability of market data and analytics tools have enabled traders to build a much more sophisticated view of the value associated with different pools of liquidity at different times and in varying market conditions.

An important point to add here is that even with the addition of advanced technology tools, human decisions and human relationships remain crucial. Yes, trades might be routed and executed systematically, but behind that is a human quant who is examining key performance indicators (KPIs) and refining the technology based on these.

That's why at 360T we emphasise developing deep relationships with the quants who build the SORs, so that we can understand the KPIs they're focused on and optimise the liquidity they're seeing accordingly.

UNIQUE LIQUIDITY

Looking ahead, we see more changes emerging that will ultimately improve the Spot FX market ecosystem further.

One is the opportunity for a wider range of regional liquidity providers, with local currency expertise, to become more active on ECNs. Because both 360TGTX and our disclosed trading platform utilise the same HyperSonic technology it is possible to bring additional liquidity from these regional experts onto the ECN, leveraging our existing connectivity to them.

Considering that 360T is connected to over 240 liquidity providers and 2,600 buy-side firms across more than 75 different countries, there is huge potential to build and expand on the unique liquidity already offered on 360TGTX.

Another development that we expect to see is the distribution of streaming Spot FX liquidity across a broader range of execution channels. A good example of this is that we see demand from users of 360T's Market Maker Cockpit (MMC) and Execution Management System (EMS) to access ECN liquidity.

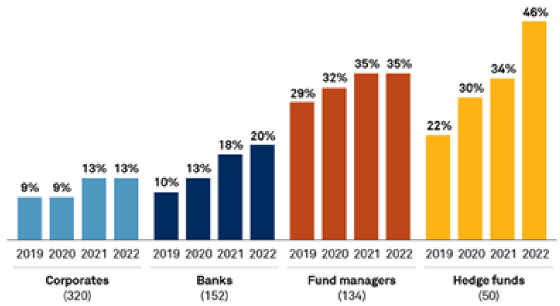
This could be particularly interesting because the 360T EMS is currently used by many buy-side firms who are not currently accessing any ECN liquidity, broadening the universe of people in this marketplace. And from 360T's perspective this is the logical next step — we've built the technology, we've built the liquidity and so now it's about building out distribution channels around this.

FX ALGO ADOPTION

We also expect to see changes in the way that FX market participants use algos. While the adoption of these tools continues to increase, data suggests that it is doing so unevenly. Research from Coalition Greenwich shows that while FX algo usage has continued to accelerate amongst Hedge Funds, it has stalled over the past couple of years amongst Fund Managers, Banks and Corporates.

This is somewhat surprising when you consider that the drivers towards using execution algos — fragmented liquidity pools, the need for increased efficiency, a desire to reduce market impact, etc. — have certainly not diminished (they have in fact, arguably gotten more urgent) over the past two years.

Percent of Firms Using FX Execution Algorithms



Note: Based on responses from global users of foreign exchange from 2014 to 2022. Numbers in parentheses represent number of respondents.
Source: Coalition Greenwich Voice of Client – 2014–2022 Global Treasury Services Studies

While we are confident that the use case for FX algos remains strong, and that they will increasingly be deployed by all of clients types, the fact that adoption has effectively flatlined across certain segments suggests that there could be an opportunity for providers to offer the market something new.

We believe that there is plenty of room for innovation in this space and look forward to seeing what the next evolution of FX algos will look like.

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Spot FX... is a good place to look for trends that will ultimately end up impacting the entire marketplace.

THE EDGE OF INNOVATION

What makes the Spot FX market so interesting, and in some ways grants it outsized importance, is that it remains a testing ground for new tools and technologies which are often later exported to other FX instruments.

FX Swaps, Outright Forwards, NDFs and Options — all of these products are shifting towards electronic execution channels and in each case, to admittedly varying degrees, the technology and processes developed for Spot trading are being re-applied or adjusted.

So not only is it wrong to suggest that technological innovation has been played out in Spot FX, but actually this is a good place to look for trends that will ultimately end up impacting the entire marketplace.

Link list:

> *Top-5-Takeaways-from-TradeTech-FX-USA-2024*

A LOOK AT THE APAC GROWTH STORY

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

Andrew Jones analyses how and why FX trading volumes in APAC continue to grow apace, and suggests there's plenty more to come from the region.

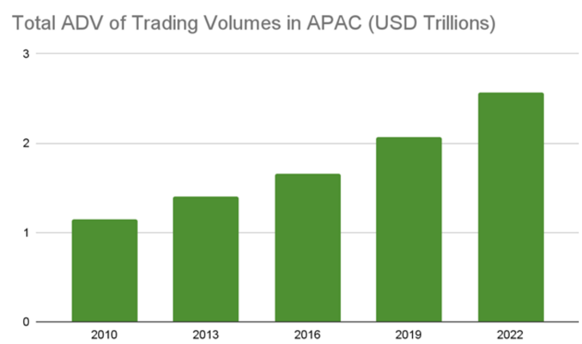
Data from the Bank for International Settlements (BIS) Triennial OTC FX Survey has demonstrated a consistent and sustained growth trend in trading volumes across APAC for over a decade now.

Onshore FX trading volumes in China more than tripled between 2013 and 2022, and more than doubled in Hong Kong, Singapore and Indonesia. Over the same period, FX trading volumes also rose by around a half in places like India, Korea and Malaysia.

Even when the overall FX market showed a contraction in daily activity for the first time since the turn of the century in 2016 (it shrank by 6% in that year's BIS survey), volumes in APAC just kept increasing.

The 2022 survey recorded average daily trading volumes (ADV) of $2.6 trillion across the region, up 24% from 2019. By contrast, although the ADV of FX trading across the rest of the world was significantly larger, $4.9 trillion, it only grew by 9% compared to the 2019 survey.

Consider this too — in 2010 APAC accounted for 28.7% of all FX trading globally and by 2022 that number had risen to 34.2%, the highest market share the region has ever achieved.



Source: Triennial Central Bank Survey of foreign exchange and Over-the-counter (OTC) derivatives markets in 2022, BIS

RMB LEADS ASIAN CURRENCIES

Clearly, the FX market in APAC is growing significantly on both an absolute and relative basis. But what are the key drivers of this?

Part of the answer can be found by examining the currency-specific data in the BIS survey. Looking at a table showing the percent change in which currencies formed one side of transactions between the last two surveys there is one obvious outlier.

In 2019 Chinese renminbi (RMB) was included in 4.3% of trades globally, but by 2022 that number had increased up to 7%, a substantially larger jump than any of the other most commonly traded currencies. It is now, according to the BIS, the fifth most commonly traded currency in the world.

Rank	Currency	2019% of all trades	2022 % of all trades	Change
1	USD	88.3	88.5	+0.2
2	EUR	32.3	30.5	-1.8
3	EM Currencies	19.2	17.8	-1.4
4	JPY	16.8	16.7	-0.1
5	GBP	12.8	12.9	+0.1
6	RMB	4.3	7.0	+2.7
7	AUD	6.8	6.4	-0.4
8	CAD	5.0	6.2	+1.2
9	CHF	4.9	5.2	+0.3
10	HKD	3.5	2.6	-0.9
11	SGD	1.8	2.4	+0.6
12	SEK	2.0	2.2	+0.2
13	KRW	2.0	1.9	-0.1
14	NOK	1.8	1.7	-0.1
15	NZD	2.1	1.7	-0.4

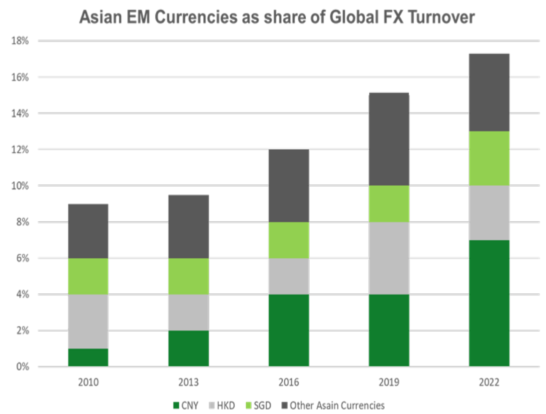
Source: Triennial Central Bank Survey of foreign exchange and Over-the-counter (OTC) derivatives markets in 2022, BIS

Or, to put it another way, over this period of time RMB trading increased by 85%, going from an ADV of $285bn per day in 2019 to $526bn per day in the latest survey.

This is clearly a driver of volume growth in APAC considering that the BIS data indicates that 78% of all RMB trading globally occurs in China, Hong Kong and Singapore.

While RMB is an outlier in terms of this absolute and relative trading volume increase, it remains part of a broader growth story amongst APAC developing market (EM) currencies.

In 2013, EM currencies from countries in the region accounted for just over 8% of the global FX turnover, yet by 2022 that figure had more than doubled to just over 17%. And this is despite a decrease (in relative terms, not absolute) in trading of the Hong Kong dollar in the last survey.



Source: The internationalisation of EME currency trading, BIS Quarterly review, December 2022

The driving force behind this increase, apart from the already discussed RMB, were the Singapore dollar, the Korean won, the Indian rupee and the Taiwanese dollar. This in part reflects the growing importance of these countries, and therefore APAC, in the global economy.

THE ROLE OF TECHNOLOGY

One important driver of growth, however, is not so easily captured in the survey data — the continued adoption of e-trading technology and tools.

This has made FX markets in APAC more efficient, robust, transparent and reliable, while also reducing execution costs for market participants. This has in-turn driven efficiencies, both in the marketplace and on trading desks, leading to increased trading volumes.

It's worth emphasising here that APAC is a vast region and the level of e-FX adoption, and the demand for specific functionalities, can vary significantly, both from country-to-country and organisation-to-organisation.

For example, the majority of firms that we partner with in countries like Malaysia, Thailand and India are primarily focused on how they can aggregate FX liquidity electronically from multiple sources in order to put pricing from their counterparties into competition, thereby streamlining their trading activity and helping to reduce costs through spread compression.

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Across the whole APAC region we see convergence of the technology journey and growing adoption of e-trading solutions across all FX instrument types across all client segments.

In larger FX trading centres like Singapore, Hong Kong and Japan though, we work with more market participants who are going a step beyond this, leveraging some of the advanced data, analytics, workflow and execution solutions that 360T offers. Again, the goal of these firms is to increase the productivity of their trading desks while simultaneously improving execution outcomes and minimising operational risks.

But across the whole APAC region we see convergence of the technology journey and growing adoption of e-trading solutions across all FX instrument types across all client segments, and as noted previously, a natural byproduct of this is increased trading activity.

LOOKING TO THE FUTURE

The obvious question stemming from this analysis is: will the remarkable APAC FX growth story continue?

There are plenty of reasons for optimism. Economists are speculating that the US Federal Reserve could cut rates in 2024, and even in a challenging economic environment some countries — most notably India — continue to demonstrate resilient growth.

Beyond the macro outlook there are also specific events which could continue to drive FX trading volumes in the coming year. For instance, Indian government bonds are due to be included in JP Morgan's GBI-EM Index for the first time, which Fitch Ratings says could facilitate $24 billion of passive inflows in the subsequent 12 months.

Moreover, the factors driving increased FX e-trading in APAC show no signs of abating.

Corporate Treasurers are looking to optimise their FX trading so that they can spend more time focused on other more mission critical tasks on their desks. Banks want more effective tools to enable price discovery, construction and distribution, in addition to risk management.

Hedge Funds are looking for additional data sources, analytics and execution tools which can give them an edge when trading FX. Asset Managers want to streamline their workflows and automate small ticket items to increase trader productivity.

In every instance across every client segment, technology plays a vital part in enabling them to achieve their objectives. And as we've seen across all asset classes and in all regions of the world, technology opens the door to increased trading activity whilst simultaneously reducing execution costs.

All of which suggests that there's plenty more to come from the remarkable APAC growth story in FX.

Link list:

> *360T_How-Technology-is-Set-to-Change-FX-Trading*

BRISTOL MYERS SQUIBB

Jon Albert
Senior Manager, Financial Risk Management at BMS

William Brewer
Associate Director, FRM, Treasury at BMS

Ravi Patel
Director, Financial Risk Management at BMS

Jon Albert, William Brewer, and Ravi Patel talk about how they are leveraging technology to enhance Bristol Myers Squibb's FX trading capabilities by deploying advanced hedging tools and implementing 360T's Execution Management System (EMS).

360T: How important is FX management and trading within your treasury organisation?

Bristol Myers Squibb (BMS): FX management is critical to our treasury organisation as well as the entirety of BMS. Historically, one-third of BMS revenues come from outside the United States, exposing the company to significant FX risk.

360T: What are your key objectives when it comes to improving BMS' FX trading capabilities?

BMS: One key focus is automating and simplifying trading, execution, confirmation, and reporting processes to reduce operational risk and spend more time on strategic initiatives. Additionally, allowing us to trade efficiently with multiple trading partners helps us achieve optimal execution.

360T: How has technology helped assist you in achieving these goals?

Technology has allowed us to spend less time on executing trades, post trade processing, and other manual processes. Over the past couple of years, we have accelerated our embrace of technology, reducing hundreds of hours of work companywide.

360T: You recently began trading FX Options electronically, why did you decide to do this and how has the experience been?

The process of trading options is manual and thus time-consuming, taking up to 2 hours from start to finish. Additionally, trading over chat or email can be error prone. Possible errors include banks misquoting by not properly inputting the strike rates or dates on a strip of options. Electronically trading FX options was the next logical step for us.

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Over the past couple of years, we have accelerated our embrace of technology, reducing hundreds of hours of work companywide.

360T: Even though FX Options can be a useful hedging tool, some treasury operations are reluctant to use them because they're concerned about the complexity and/or cost of the products. BMS uses FX options, were either or both of these considerations for you?

Both complexity and cost were considerations as we were deciding whether to implement FX options. Prior to starting the program, we did exhaustive testing with our TMS and held discussions with management, accounting, back office, and other key stakeholders. Trading FX options requires more time and manual processes than trading FX forwards; however, given the longer tenor of our hedges and current market conditions, we find value in optionality.

360T: FX algos are another more advanced tool for trading FX. You've started using FX algos, what do you consider to be the benefit of these for what you're trying to achieve?

We successfully executed a large trade via algo for the first time, and plan to use this feature more frequently by assigning larger trading blocks to algos. Using algos minimises our impact on the market and improves our transaction costs. It is also more operationally efficient to have only one trade instead of multiple smaller trades that we would have typically executed manually.

360T: What advice would you give other corporates who are interested in using FX algos but don't really know where to start?

Talk to a few of your banking partners to walk you through their algos and answer your questions. Banking partners can help with the set-ups you need to get started.

> **We are constantly looking for opportunities to reduce manual processes, drive efficiency, and reduce risk. 360T's EMS system offers promising options in these areas.**

360T: You're in the process of implementing 360T's EMS, can you walk us through the drivers behind this decision?

We are constantly looking for opportunities to reduce manual processes, drive efficiency, and reduce risk. 360T's EMS system offers promising options in these areas, such as automated trading rules, an approval workflow, and allowing for more types of trades to be bulk uploaded onto the platform.

360T: How do you go about building the business case internally for implementing new technology?

To drive excitement and increase likelihood for approval we highlight the benefits of new technology, including time savings, operational risk reduction, and automation. Treasury has a dedicated role for prioritising, implementing, and maintaining our technology, which helps drive initiatives forward.

360T: When it comes to FX, what are going to be the main areas of focus for you in 2024?

360T's EMS implementation will be a big focus for us to complete, enabling further automation and improving our FX trading processes. We are always evaluating multiple effective FX strategies to enhance value and reduce risk.

FX SWAPS GROWTH: A PERFECT STORM THAT SHOWS NO SIGNS OF STOPPING

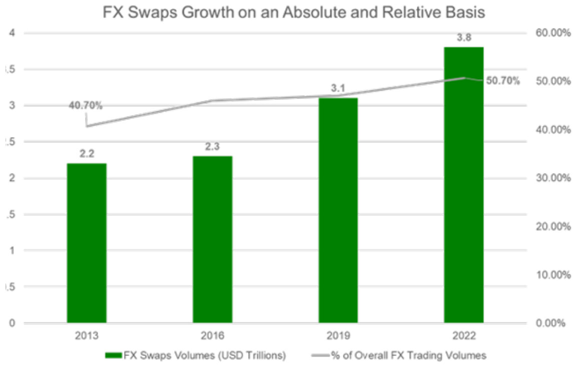
Simon Jones
Chief Growth Officer at 360T

Simon Jones, Chief Growth Officer at 360T, looks at how the FX Swaps market has grown, what is driving this and why we should expect it to continue.

One of the most significant trends which emerged in recent years is the ongoing and rapid growth of the FX Swaps market, which continues to outpace that of other product segments.

Data from the last Bank for International Settlements (BIS) survey shows that on an absolute basis the average daily notional volume (ADV) of FX Swaps trading reached $3.8 trillion in 2022, up by $700 billion compared to the previous survey in 2019. These are pretty big numbers, but actually the growth is more interesting when we examine it on a relative basis.

Over the last decade FX Swaps have become an ever larger slice of the overall FX trading pie — in 2013 they accounted for 40.7% of all FX trading, and now that figure is up to 50.7%. The fact that over half of all FX trading globally is now concentrated in FX Swaps has brought renewed attention to how these instruments are traded, encouraging many market participants to look for new tools which can enable them to enhance their execution capabilities.

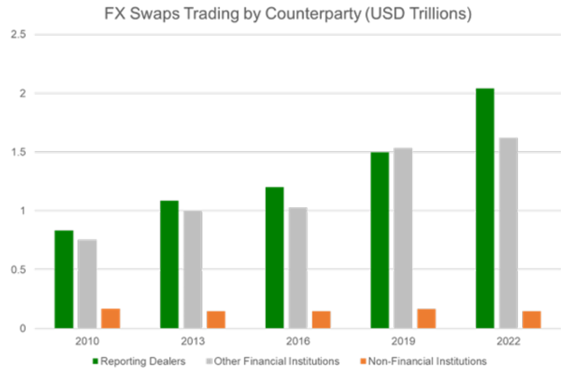


DEALERS DRIVING GROWTH

But to really understand the growth of FX Swaps trading, it's necessary to get a little more granular with the data. For example, the BIS numbers clearly show that "Reporting Dealers" (Banks) were predominantly responsible for the increased ADV in this product segment as volumes from this group surged by $545 billion, or 36%, compared to the 2019 survey.

It seems highly likely that this shift subsequently caused other changes that are clearly observable in the latest survey data.

The jump in short-dated maturities being traded is one. Inter-dealer FX Swaps trading activity predominantly occurs in very short-dated tenors, so whereas in 2019 FX Swaps with a maturity of up to 7 days accounted for $2.06 trillion of overall ADV, in 2022 they accounted for $2.71 trillion. Which, it's worth pointing out, is close to the exact amount of overall FX Swaps volume growth that occurred over this three year period.



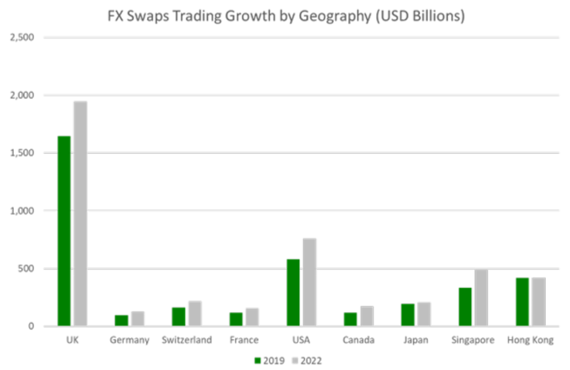
THE UK CEMENTS ITS POSITION

A second change relates to where FX Swaps are being traded. London remains the largest FX trading hub for banks, and is where many of them run their global FX Swaps desks from. Therefore, the fact that the BIS data shows that volumes are becoming increasingly concentrated in the UK should come as no surprise.

Between 2019 and 2022 the ADV of FX Swaps executed there grew by $300 billion so that now 38% of all trading activity occurs in the UK. And while Singapore and the USA saw ADV upticks of $181 billion and $155 billion, respectively, the majority of major FX Swaps trading centres remain located in Europe.

In the latest BIS survey there were just nine countries which saw over $100 billion per day in

Swaps trading in their domestic marketplace; four of them were in EMEA, three of them were in APAC and two of them were in the Americas.



Another interesting trend hidden in the data is the increase in FX Swaps trading by institutional investors. Although volumes from firms classified as "Other Financial Institutions" were only up by $85 billion, or 6%, in 2022 compared to 2019, the amount traded by institutional investors (who form part of this group) was 41% higher as they accounted for $298 billion of daily FX Swaps activity in the last survey.

CHANGES IN BEHAVIOUR

Having understood how the FX Swaps market has grown, the next question to address is why it has grown so significantly in recent years.

One answer, we believe, is that more market participants are utilising FX Swaps to meet their funding needs. FX market participants have long used FX Swaps to hedge, roll and fund their FX positions, but outside of this asset class it has historically been much more common to use repo and money markets products.

However, increased capital and collateral requirements demanded by regulations have increased funding needs, and as a result we're seeing a broader swathe of capital markets participants turning towards FX Swaps in order to meet these obligations.

This is because the off-balance sheet nature of these products makes it easier for banks to use them in order to meet these tighter cash reserve and debt regulations, while the introduction of the standardised approach for counterparty credit risk (SA-CCR) to measure OTC derivatives exposures has made these products more cost effective than alternatives.

NEW SOLUTIONS

Technology is also spurring the growth of FX Swaps trading. As trading activity continues to shift towards electronic channels there are cost and efficiency gains, which subsequently improve productivity on the execution desk and enable market participants to trade more of these products.

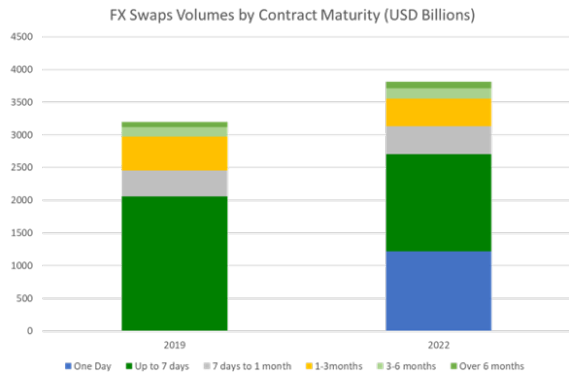
And technology providers have an important role to play in facilitating this trend. For instance, more sell-side firms are now leveraging 360T's Swaps User Network (SUN) to streamline their FX Swaps trading, using an indicative streaming mid-rate from our award-winning Swaps Data Feed (SDF) to conduct grey-book risk exchange at mid-market.

360T SUN is a Swaps platform that blends GUI and API traders in one pool, where bids and offers can be placed at or around a reliable indicative rate.

It's also the first platform to offer a truly automated credit solution, bringing much needed efficiencies at a time when credit and its related capital costs are a key focus for banks. This in-turn will support fully automated, no-touch trading, which will represent a significant milestone in the development of this marketplace.

On the buy-side, firms are increasingly using technology to automate their FX Swaps activity across the entire trade lifecycle, enabling them to handle larger flows without expanding the headcount on the desk.

We see evidence of this in how our buy-side partners are using the 360T Execution Management System (EMS) to dramatically streamline their workflows and then, using the SDF as a mid-market tolerance check, going one step further and actually fully auto-executing a large proportion of their trades.



WHAT COMES NEXT?

Looking ahead, we feel confident predicting that the next BIS survey in 2025 will show that the growth in FX Swaps trading has only accelerated further.

For starters, regulation and the need for funding aren't going anywhere and the marketplace is still in the process of adjusting to SA-CRR.

And as previously noted, the current uptick in FX Swaps usage has thrust this product segment into the limelight, encouraging market participants globally to re-examine their execution capabilities and consider investing into technology and data which can enable them to trade more efficiently. On the flip side of this, the technology and data to enable this are now clearly available.

360T's solutions are a case in point here. With 360T SUN removing credit as a barrier to automation amongst the sell-side, we are opening the door to auto-hedging, aggregators and even algorithmic execution — technologies which have been proven in the Spot FX market (and in other asset classes) to drive trading volumes upwards.

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The SDF is also an important component in helping buy-side firms to automate more of their FX Swaps trading activity.

In addition, we're also seeing some sell-side firms leverage the power of our SDF to help them improve their market making capabilities across a broader range of currencies outside their traditional core competency, effectively enabling them to compete and trade more than they do now.

DATA REMAINS KEY

The SDF is also an important component in helping buy-side firms to automate more of their FX Swaps trading activity. Because it is directly integrated with the pricing engines of over 20 Top FX Banks and offers full granularity across the curve (including around broken and special dates), the SDF can be used as a price tolerance check to enable automated trading.

This data, combined with highly bespoke rules-based automation tools within the 360T Execution Management System (EMS), is today allowing buy-side firms to conduct high-precision, no touch execution while still meeting their best execution mandates. And again, the data and analytics are there to quantifiably demonstrate this.

The path that we see buy-side firms taking towards increased automation will naturally lead to productivity gain and heightened trading volumes.

This perfect storm then of regulation, technology and the need to optimise trading across the largest product segment in the FX market is likely to continue raging for quite some time.

Link list:

- Key Takeaways from TradeTech FX: The FX Swaps market is changing
- 360T SUN Extends API Pricing to Asia Open
- 360T Marks Industry Milestone with FX Swaps API Mid-Market Trading

WHY CRYPTO-CURRENCIES WILL CONTINUE TO GO MAINSTREAM

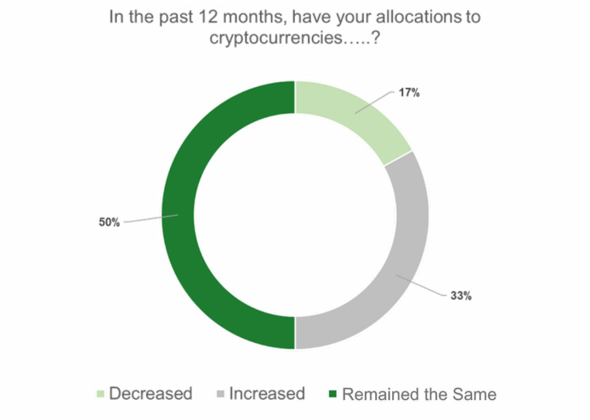
Ralph Achkar
Head of Digital Currency Strategy
at 360T

As supply rises to meet demand in the digital asset space, Ralph Achkar, Head of Digital Currency Strategy at 360T, argues that these products will increasingly be executed across more established financial trading platforms.

There is a large — and still growing — body of data which suggests that participants in the traditional capital markets want access to cryptocurrencies and other digital assets.

This is true both in the short-term and the medium-to-long-term.

Across October and November of 2023, the publication Institutional Investor conducted a survey of 250 (you guessed it) institutional investors and found that over the past 12 months 50% of respondents had maintained their existing levels of allocations to cryptocurrencies, 33% had increased them and just 17% had decreased them.



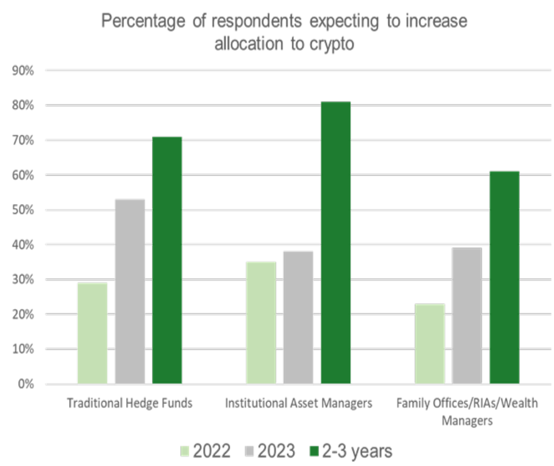
Source: Institutional Investor 2023 Digital Assets Outlook Survey, Institutional Investor and Coinbase

This is broadly in-line with a survey conducted by the consultancy firm Ernst & Young (EY) in April of 2023 in which 38% of institutional Asset Managers, and 53% of traditional Hedge Funds said that they expected to increase their allocation to crypto over the rest of the year.

Asked about the next two-to-three years, these numbers spike dramatically, with 71% of Hedge Funds and 81% of Asset Managers telling EY that they anticipate increased allocations to crypto.

When State Street commissioned another consultancy firm, Oxford Economics, to survey investment institutions, including Asset Managers, Asset Owners and Insurers, about their approaches to digital assets and investment technology, the results published in January of 2023 were similar on this front.

In total, 69% of respondents said that they plan to increase their allocations to digital assets, cryptocurrencies or related products either "significantly" (31%) or "slightly" (38%) over the next two-to-five years.



Source: Staying the course: institutional sentiment toward blockchain and digital assets, Ernst & Young

This demand is not just hypothetical, specific to "crypto native" firms, or expected at some point in the future.

In 2022, BlackRock, the world's largest Asset Manager, launched a private trust to provide its clients with exposure to Spot Bitcoin and was one of the firms to launch a Bitcoin Spot ETF following regulatory approval from the Securities and Exchange Commission (SEC) in January of 2024. As of early February 2024, 11 Bitcoin ETFs had been approved and the cumulative trading volumes across them had already exceeded $30 billion.

Corporations are also increasingly active in the digital asset space through metaverse and web3 activity, with many household name brands running successful non-fungible token (NFT) programmes. Nike, for example, has generated in excess of $185 million from NFTs.

Meanwhile, the value of cryptocurrencies is perhaps the biggest indicator of demand, and Bitcoin rose from around $16,600 at the start of 2023 to over $42,000 by the end of it, an increase of 153% and has seen its all time high in March 2024.

BARRIERS TO ADOPTION

However, the adoption of cryptocurrency trading amongst traditional financial services firms and Corporates has thus far not matched up exactly to this demand for numerous reasons.

Regulation is one of these. Despite the SEC's recent approval for some Bitcoin ETFs, the broader regulatory environment remains unclear, meaning that many firms, especially banks, prefer to shy away from the crypto Spot market in the short-term.

There has also been a lack of regulated technology and infrastructure providers in the crypto space, with the dramatic collapse of FTX in November 2022 and the more recent legal action against other platforms being illustrative of why many firms involved in traditional capital markets have held back.

And in fact, technology and infrastructure in general has been a challenge for these firms, and subsequently the adoption of crypto. Many of the existing providers in this space are relatively young, meaning that their technology is not necessarily battle-tested or proven under stress.

In addition, these providers often lack the scale, transparency, good governance, clear structures, compliance frameworks and customer support that the more traditional firms expect as a matter of course.

Then there is the fact that the technology and infrastructure being provided might not align completely with the firms' existing systems and trade workflows, adding another potential layer of cost and complexity to accessing crypto products. This is only compounded if they are required to invest in blockchain-specific technology or infrastructure, such as secure wallets to store their crypto in.

LEVERAGING FAMILIAR TECHNOLOGY

The fact that there is a growing demand to gain or hedge crypto exposures, combined with current reticence to hold the underlying assets and the lack of a regulated, proven and trusted platforms for trading these products is exactly why 360T has launched a Crypto NDF offering.

With a track record of over 20 years servicing some of the largest and most sophisticated Institutional Investors and Corporates globally, we are able to deliver the same robust, reliable and high performing technology solutions to the crypto space that we have long provided to the FX market.

The fact that the Crypto NDFs are akin to traditional FX NDFs should bring further comfort to these firms. It means that they can leverage the same trading technology and workflows, and potentially even the same credit models, that many of them are already using today to trade FX NDFs.

The Crypto NDFs are available via Bridge and 360T's next-generation Execution Management System (EMS). Users can trade these products via an RFQ model using a GUI or API, while automated pricing is also possible and risk monitoring and management capabilities are also supported like the rest of the FX trading on the platform.

Finally, it's worth highlighting that 360T, owned by Deutsche Börse Group and regulated by the German Federal Financial Supervisory Authority (BaFin), offers a safe trading environment and can provide comprehensive reporting, trade histories and audit trails for all activity taking place across its platform.

THE STARTING POINT

To be clear, we see the launch of Crypto NDFs as a starting point. Since these instruments track the underlying digital currencies, they offer synthetic exposure and efficient hedging opportunities without the regulatory uncertainty or complex infrastructure associated with interacting with the blockchain and holding assets themselves.

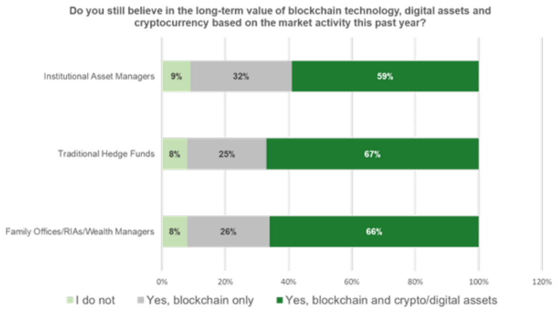
> **A combination of increased regulatory clarity, comfort with digital asset infrastructure and the presence of trusted technology providers... is likely to spur the adoption of... cryptocurrency services.**

As such, they are the perfect instrument to meet the immediate and clear demand from traditional financial services firms and Corporates looking to access this asset class.

In the longer-term, a combination of increased regulatory clarity, comfort with digital asset infrastructure and the presence of trusted technology providers like 360T, is likely to spur the adoption of a broader range of cryptocurrency services on our platform in-line with our client demand.

Rather than diminishing enthusiasm for cryptocurrencies, previous scandals in the digital asset space have served to push trading activity further towards established providers and we expect the recent events to only accelerate this trend as market participants become even more acutely aware of the need to partner with trusted, proven and transparent platform providers.

The EY survey asked respondents if they still believe in the long-term value of blockchain, digital assets and cryptocurrencies despite the events of the past year, and the answer was a resounding “yes”.



Source: Staying the course: institutional sentiment toward blockchain and digital assets, Ernst & Young

In the traditional Hedge Funds and Family Offices/ RIAs/Wealth Managers categories 67% and 66%, respectively, responded positively, while 59% of Asset Managers agreed. By contrast, less than 10% of people in each category said that they did not believe in the long-term value of cryptocurrencies or blockchain.

To unlock the value of cryptocurrencies for their businesses, these firms will need to be able to trade them across more traditional financial markets technology and infrastructure.

Link list:

> 360T Launches Crypto NDF Offering, with Wintermute Asia and Crypto Finance pioneering the first trade on the platform.

EFPs (EXCHANGE FOR PHYSICAL) – SETTING THE STANDARD

David Holcombe
Product Lead for FX Futures &
Clearing at 360T

David Holcombe, Product Lead for FX Futures & Clearing at 360T, emphasises the growing importance of Exchange for Physical (EFP) products in the FX market, driven by regulatory changes and the benefits of tapping into OTC liquidity.

One of the big trends we see emerging in the FX market right now is a growing demand for Exchange for Physical (EFP) products. Users of EFPs can be grouped into two categories: existing FX Futures users who have large Futures orders where bilateral relationship pricing can help ensure the best execution outcome, and OTC users who want to achieve capital efficiencies by switching some of their OTC exposures into cleared Futures positions.

WHAT IS AN EFP?

FX Futures are products that execute and clear at the exchange that listed them, for example, Eurex. While the exchange operates a central limit order book (CLOB), where clients can interact with anonymous firm pricing, an EFP is an "off-exchange" transaction that can be used to register an OTC transaction, where the price and terms are agreed between counterparties bilaterally outside of the exchange, as a Futures trade which then gets centrally cleared.

An EFP transaction comprises two trades: one OTC FX trade and the other a FX Futures trade in the same currency pair, in opposite directions (typically sell OTC, buy Futures). The price agreed for the EFP is the agreed basis (spread) between those two legs, covering the forward points plus any charge the Liquidity Provider (LP) is making for the transaction.

The benefits of utilising an EFP are clear – they enable market participants to tap into the deep pool of OTC FX liquidity that exists today and maintain the flexibility of bilaterally negotiated trades whilst also achieving the capital efficiencies, and therefore cost reductions, associated with centrally cleared FX Futures trades.

WHY ARE EFPS GAINING TRACTION NOW?

The EFP is not new in the FX market. It is a tool that has been available for many years to turn the results of an OTC FX execution into an FX Futures position, it's just that it has never been a mainstream part of the e-FX distribution model from a Bank perspective.

But regulation is now tipping the scales. In the past year, Banks facing rising regulatory costs and capital requirements for holding bilateral client Forward positions, have taken several approaches to mitigate this so they can avoid factoring additional costs into client spreads and ultimately pricing themselves out of the market.

While OTC compression and optimisation can help to achieve some post-trade reductions in exposure, and thereby reduce the capital constraints placed on them by these regulations, EFPs are the only client-facing trading proposition which addresses this challenge. What this means is that EFPs allow Banks to agree OTC trades knowing at the time of execution that they won't incur a corresponding increase in bilaterally held exposure.

This is why throughout 2023 we saw many of the Banks we partner with at 360T building out their EFP offerings, including the use of Eurex FX Futures. This involved bridging their established Listed products technology and operational stacks into their FX pricing and risk management so they can offer this seamless transition between OTC and Listed FX as a scalable part of their FX franchises.

WHY WOULD A CLIENT USE AN EFP?

The benefits of centrally cleared products for buy-side firms include operational efficiencies and the margin/collateral optimisation that occurs from facing a single counterpart (the Clearing House) as opposed to maintaining individual bilateral lines with each of their different trading counterparties.

Plus, clearing enables access to trading counterparties without the need for having a full credit/settlement relationship with each of them, and without using existing bilateral lines for the trade.

EFPs offer plenty of potential for price improvement too – as LPs no longer need to factor in bilateral settlement costs. This saving can be passed along to the client in the form of improved pricing, meaning that OTC liquidity can be cheaper when using an EFP.

At 360T we have long facilitated access to Eurex FX Futures products, recognising that these products can be a vital part of both buy-side and sell-side FX portfolios.

Additionally, we expect to see Liquidity Providers starting to exploit a 'cleared axe' to win trades that will optimise their clearing costs/margin too, as well as operating their natural axe for the currencies in question.

SETTING THE STANDARD

As the benefits of EFPs become ever more apparent, the adoption of these products continues to be an industry-wide market development. If your counterparts have not yet talked to you about using EFPs to optimise your trading experience with them, you can probably expect them to do so in the coming year.

At 360T we have long facilitated access to Eurex FX Futures products, recognising that these products can be a vital part of both buy-side and sell-side FX portfolios. As a result, we have several different Futures models already available for trading, including agency Futures order routing, Exchange CLOB access direct from the 360T GUI, and of course Futures "off-exchange" relationship trading including EFP.

While FX Futures clients are already able to use 360T for "in competition" FX Futures off-exchange orderflow, the industry landscape is developing – so we expect to help many of our OTC clients take their first steps into Clearing and Futures this year too, as we continue to set the standard in the Bank to Client space bridging the worlds of Listed and OTC FX.

Link list:

> *Long live the EFP*

360T Podcast Episodes

Nathan Vurgest, Director of Trading at Record Financial Group

In this episode Nathan Vurgest, Director of Trading at Record Financial Group, talks in-depth about how data is changing and shaping FX trading desks.

Colin Lambert, Co-Founder of THE FULL FX

As is something of a tradition on the 360T podcast now, Colin Lambert, Co-Founder of The Full FX, joins as a guest to review the accuracy of his 2023 predictions and make a series of new ones for the year ahead.

Tobias Rank, EUREX and David Holcombe 360T about Exchange for Physical (EFP)

This episode features two experts, Tobias Rank from Eurex and David Holcombe from 360T, taking a deep dive into why more FX market participants are turning towards Exchange for Physical (EFP) products, and how the listed FX marketplace is likely to evolve in the future.

Van Luu, Global Head of Solutions Strategy, Fixed Income and FX at Russel Investments

FX is a highly liquid market, with many different currencies to trade that are constantly moving against one another, so why don't investors typically think about this asset class when building out their portfolios? In this episode Van Luu, Global Head of Solutions Strategy, Fixed Income and FX at Russell Investments, addresses this question and explains the important role that currency strategies can play in helping investors to diversify a multi-asset portfolio.

Dagmara Fijalkowski, Head of Global Fixed Income and Currencies at RBC Global Asset Management

The FX Global Code of Conduct has been a major and ongoing industry initiative since 2015, but it's been well documented that buy-side adoption of the Code has lagged behind other segments of the marketplace.

Adrian Lee, President and CIO of Adrian Lee & Partners

While the consequences of geopolitical events are felt in the currency markets first, in the long-term it is fundamentals that continue to drive this asset class, says Adrian Lee, the President and CIO of Adrian Lee & Partners, in this episode.

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

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