REUTERS/Edgar Su

ACT Breakfast Briefing: What's New in FX?

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What's new in FX?

- Operational risk aversion
- Pressure on costs
- Formalizing performance reporting: TCA
- Navigating a less liquid market – provider selection, algo execution
- Reshaping market behaviour – the FX Global Code of Conduct

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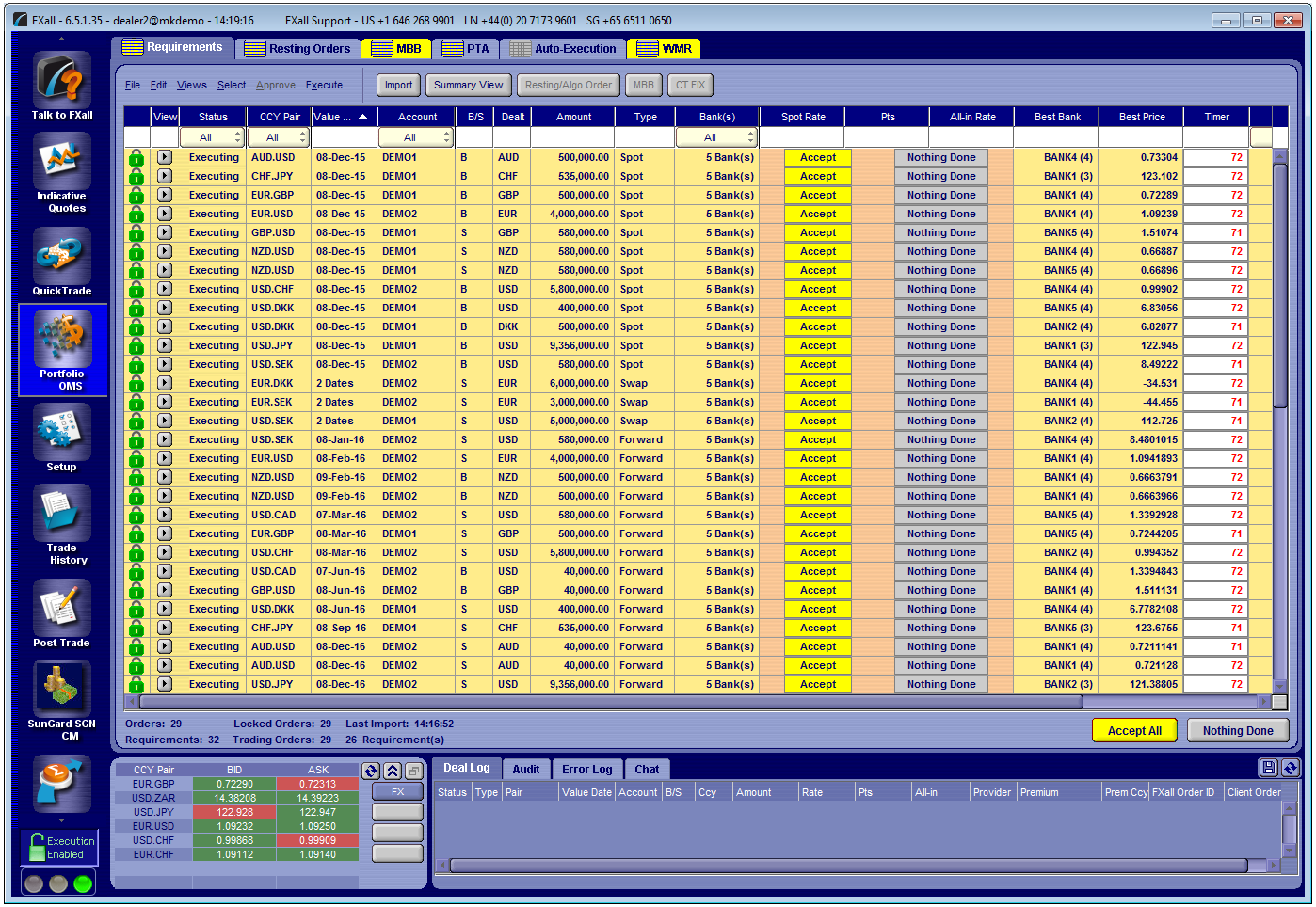
Automated batch trading to streamline trading workflow



View	Status	CCY Pair	Value ...	Account	B/S	Dealt	Amount	Type	Bank(s)	Spot Rate	Pts	All-in Rate	Best Bank	Best Price	Timer
	All	All		All					All						
	Executing	AUD.USD	08-Dec-15	DEMO1	B	AUD	500,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK4 (4)	0.73304	72
	Executing	CHF.JPY	08-Dec-15	DEMO1	B	CHF	535,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK1 (3)	123.102	72
	Executing	EUR.GBP	08-Dec-15	DEMO1	B	GBP	500,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	0.72289	72
	Executing	EUR.USD	08-Dec-15	DEMO2	B	EUR	4,000,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	1.09239	72
	Executing	GBP.USD	08-Dec-15	DEMO1	S	GBP	580,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK5 (4)	1.51074	71
	Executing	NZD.USD	08-Dec-15	DEMO1	S	NZD	580,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK4 (4)	0.66887	72
	Executing	NZD.USD	08-Dec-15	DEMO1	S	NZD	580,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK5 (4)	0.66896	72
	Executing	USD.CHF	08-Dec-15	DEMO2	B	USD	5,800,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK4 (4)	0.99902	72
	Executing	USD.DKK	08-Dec-15	DEMO1	B	USD	400,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK5 (4)	6.83056	72
	Executing	USD.DKK	08-Dec-15	DEMO1	B	DKK	500,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK2 (4)	6.82877	71
	Executing	USD.JPY	08-Dec-15	DEMO1	B	USD	9,356,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK1 (3)	122.945	72
	Executing	USD.SEK	08-Dec-15	DEMO2	B	USD	580,000.00	Spot	5 Bank(s)	Accept		Nothing Done	BANK4 (4)	8.49222	71
	Executing	EUR.DKK	2 Dates	DEMO2	S	EUR	6,000,000.00	Swap	5 Bank(s)	Accept		Nothing Done	BANK4 (4)	-34.531	72
	Executing	EUR.SEK	2 Dates	DEMO2	S	EUR	3,000,000.00	Swap	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	-44.455	71
	Executing	USD.SEK	2 Dates	DEMO1	S	USD	5,000,000.00	Swap	5 Bank(s)	Accept		Nothing Done	BANK2 (4)	-112.725	71
	Executing	USD.SEK	08-Jan-16	DEMO2	S	USD	580,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK4 (4)	8.4801015	72
	Executing	EUR.USD	08-Feb-16	DEMO2	S	EUR	4,000,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	1.0941893	72
	Executing	NZD.USD	09-Feb-16	DEMO2	B	NZD	500,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	0.6663791	72
	Executing	NZD.USD	09-Feb-16	DEMO2	B	NZD	500,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	0.6663966	72
	Executing	USD.CAD	07-Mar-16	DEMO2	S	USD	580,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK5 (4)	1.3392928	72
	Executing	EUR.GBP	08-Mar-16	DEMO1	S	GBP	500,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK5 (4)	0.7244205	71
	Executing	USD.CHF	08-Mar-16	DEMO2	S	USD	5,800,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK2 (4)	0.994352	72
	Executing	USD.CAD	07-Jun-16	DEMO2	B	USD	40,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK4 (4)	1.3394843	72
	Executing	GBP.USD	08-Jun-16	DEMO2	B	GBP	40,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	1.511131	72
	Executing	USD.DKK	08-Jun-16	DEMO1	S	USD	400,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK4 (4)	6.7782108	72
	Executing	CHF.JPY	08-Sep-16	DEMO1	S	CHF	535,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK5 (3)	123.6755	71
	Executing	AUD.USD	08-Dec-16	DEMO2	S	AUD	40,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	0.7211141	71
	Executing	AUD.USD	08-Dec-16	DEMO2	S	AUD	40,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK1 (4)	0.721128	72
	Executing	USD.JPY	08-Dec-16	DEMO2	S	USD	9,356,000.00	Forward	5 Bank(s)	Accept		Nothing Done	BANK2 (3)	121.38805	72

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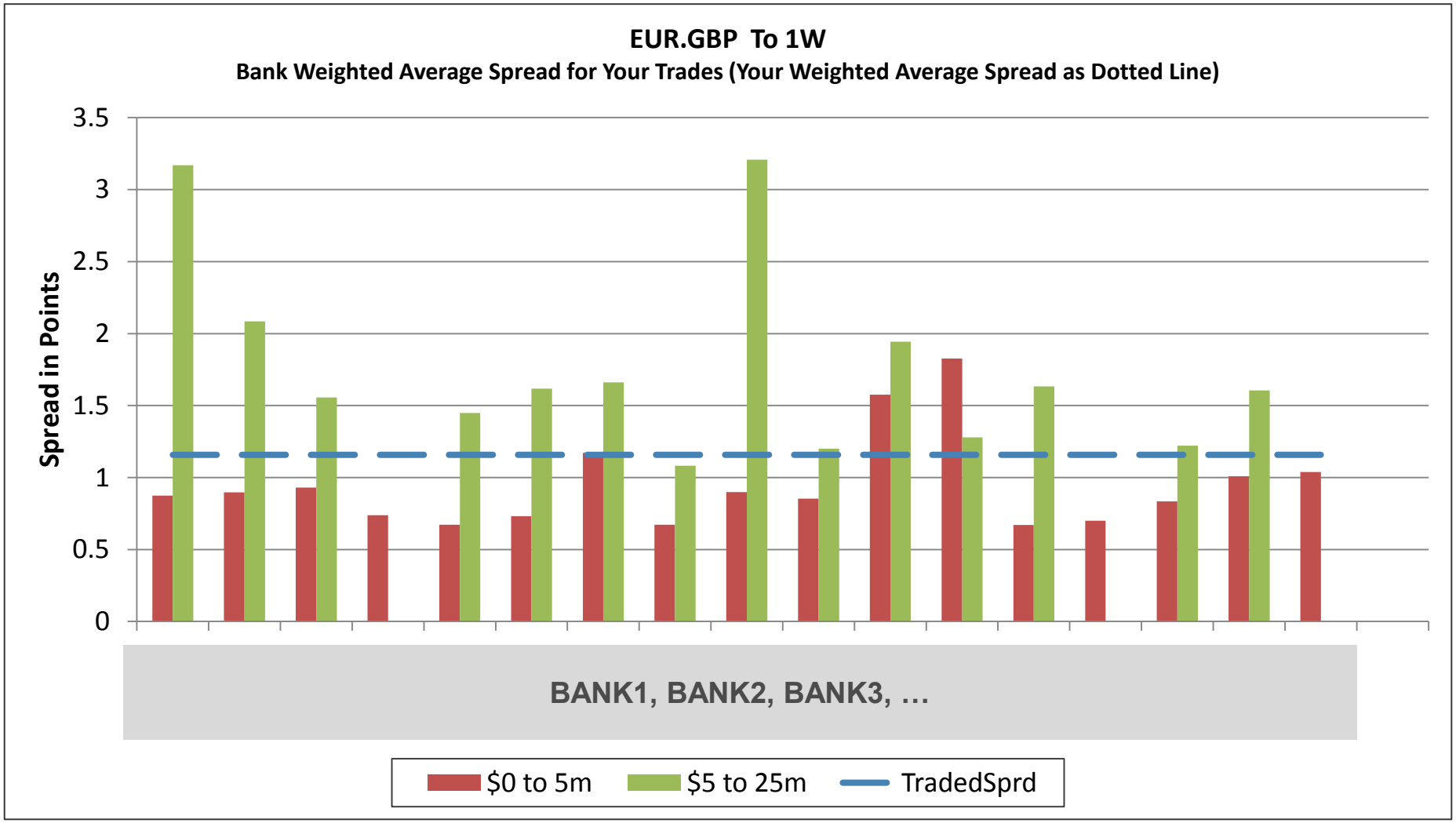
TCA example: spreads from each provider



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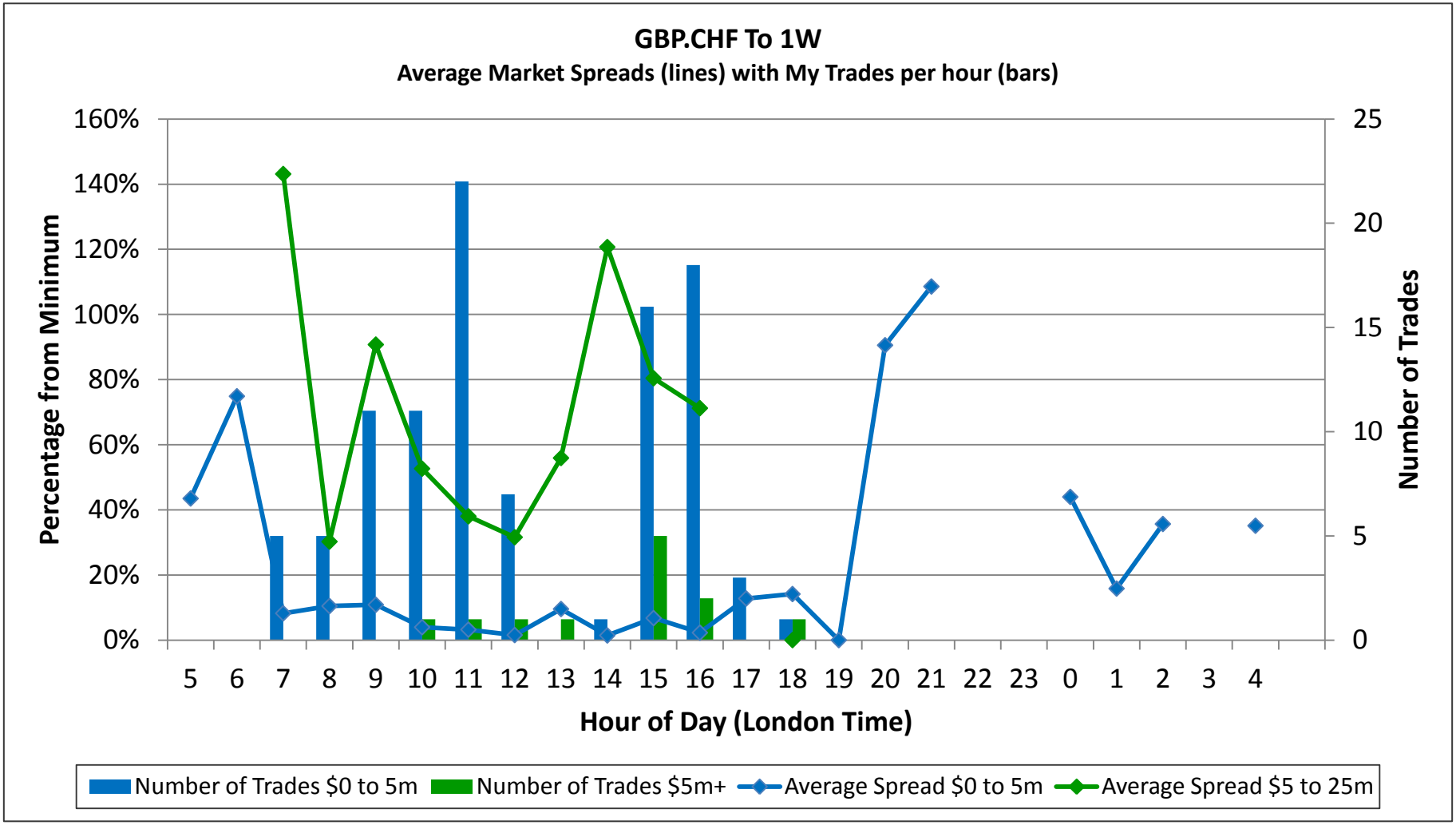
TCA example: liquidity by time of day vs customer's activity



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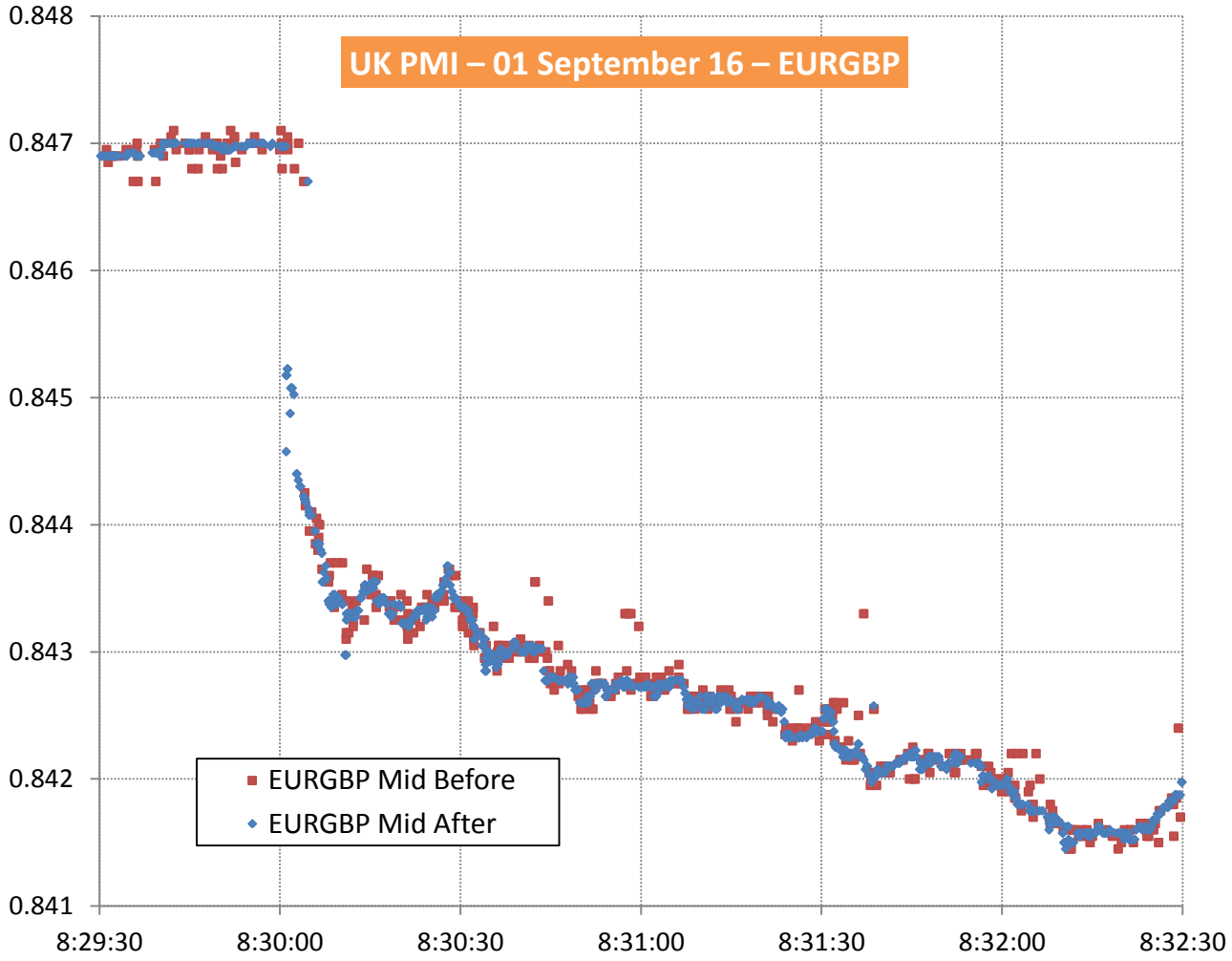
High quality market data is critical to accurate TCA



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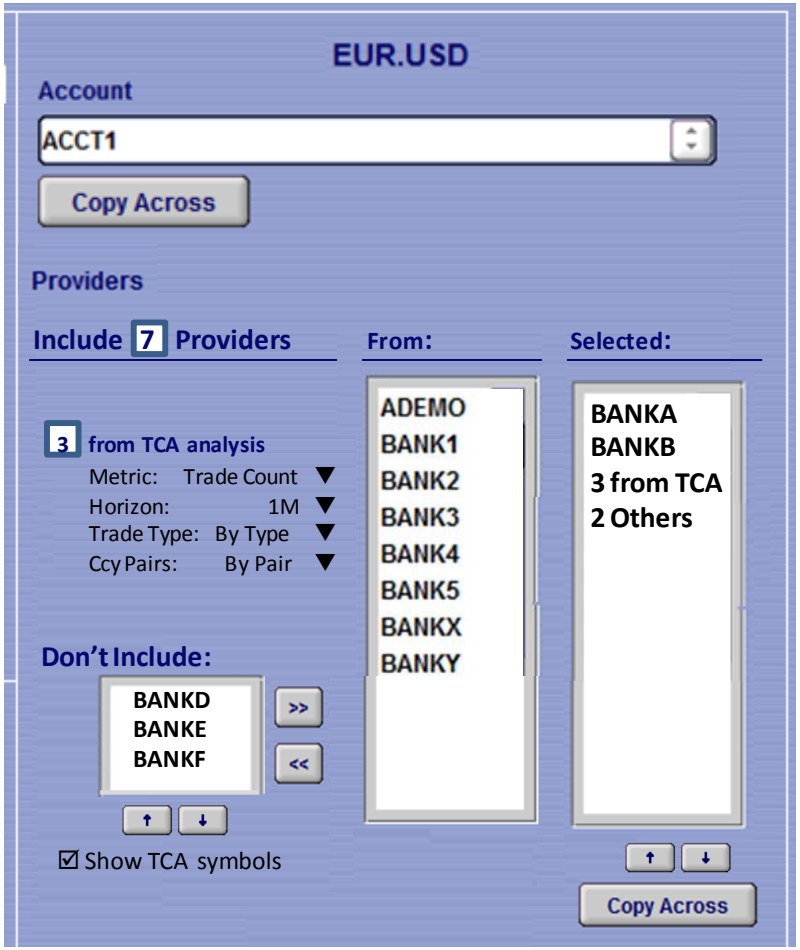
Optimized bank selection is important in a less liquid market



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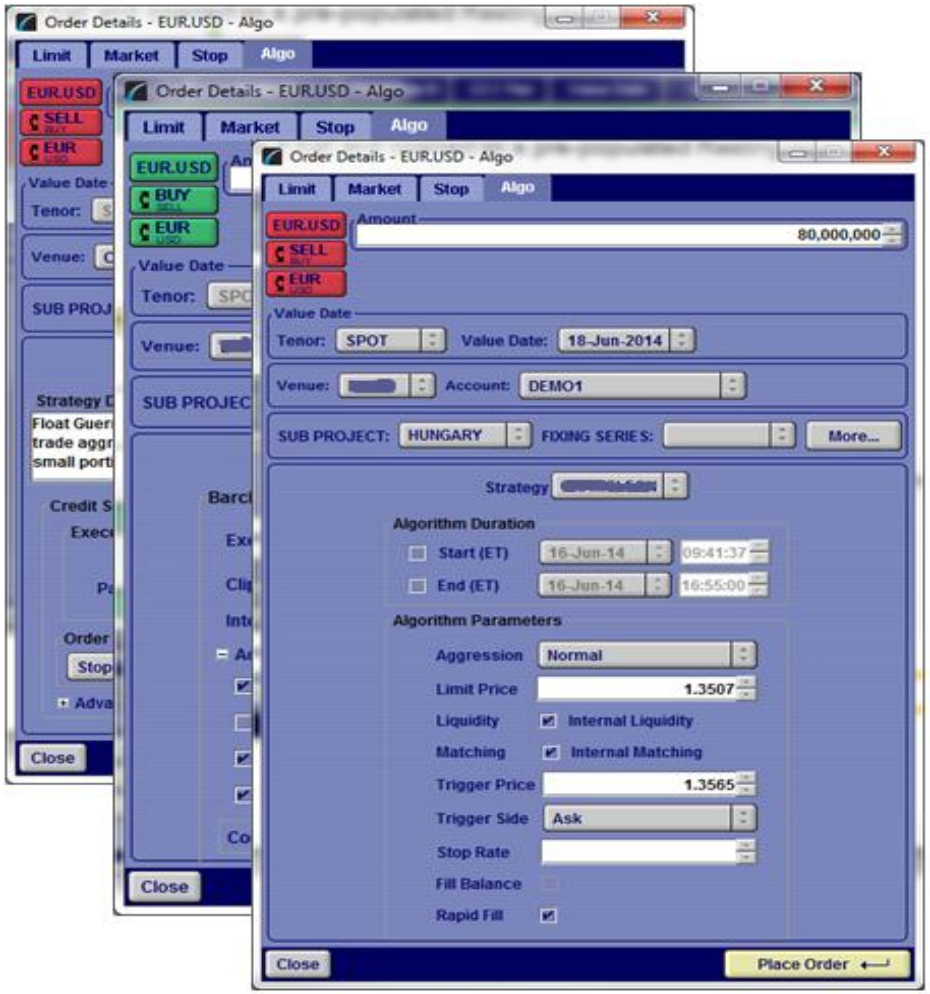
Algos promise to offer both intelligent trading of large orders and documented proof of best execution



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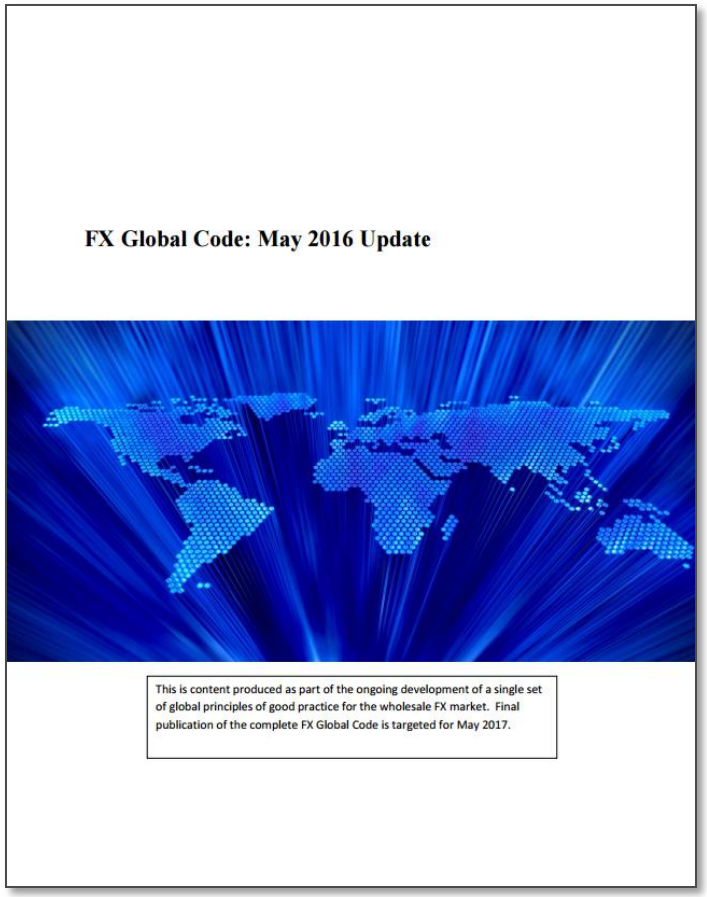
FX Global Code

- Developed by 16 central banks and a group of key industry participants (“The Market Participants Group”)
- Aligns the individual codes of each central bank, and addresses certain market practices not covered by prior codes
- Principles-based business document rather than prescriptive legal document
- Phase 1 (May 2016): Ethics, Information Sharing, Execution, Confirmation & Settlement
- Phase 2 (May 2017): Governance, Electronic Trading, Risk Management
- Expectation of adherence/adoption is still TBD but likely in late 2017


FX Global Code: May 2016 Update

This is content produced as part of the ongoing development of a single set of global principles of good practice for the wholesale FX market. Final publication of the complete FX Global Code is targeted for May 2017.

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Some trading topics addressed in the code

- Principal vs Agent
- Bank handling of orders
- Pre-hedging
- Markup
- Last look
- Customer due diligence

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