



Squawkbox

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Morgan Stanley Joins FXSpotStream as a Liquidity Provider

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30 September 2012

Morgan Stanley has become a liquidity providing bank to clients of the nascent FXSpotStream, joining six other major foreign exchange dealers contributing their prices to the aggregation service.

“The addition of Morgan Stanley as a liquidity provider is further testament to the compelling value proposition offered by FXSpotStream to its clients and liquidity providing banks. We are extremely gratified with the development of our service offering to date, which is now live and supporting trading globally,” says Alan Schwarz, the company’s CEO.

FXSpotStream provides a multibank FX aggregation service to clients for the purpose of executing spot FX trades. It functions as a market utility, providing banks and clients with the ability to communicate bilaterally using a service that does not interfere with the transaction and does not charge brokerage fees to either party.

Clients access a single API from four co-location sites in New York, London and Tokyo to deal with the banks that they have a pre-existing trading relationship with. The other liquidity providers to FXSpotStream are BofA Merrill Lynch, Citi, Commerzbank, Goldman Sachs, HSBC and JP Morgan.

FXSpotStream’s key value propositions include providing efficiencies, eliminating brokerage fees and supporting bank to client relationships, according to Schwarz on the sidelines of the Profit & Loss Forex Network Chicago conference on Friday. “We are addressing some basic but important needs that the marketplace is looking for – eliminating brokerage fees and creating efficiencies related to the infrastructure and physical costs, and the all-important bilateral relationship between the bank and client. We are a utility, not a counterparty or broker dealer. We do not take positions, we are a pure technology company.

“We don’t charge brokerage fees for the clients or banks and both are able to connect to just one place, as opposed to writing to many different APIs. The physical connectivity and the cost of that – the extranet, the cross connect and so on – is vastly reduced. By connecting to FXSpotStream once, the client is realising those efficiencies and the more liquidity providers we on-board the more those efficiencies increase.”

Schwarz continues, “Another significant value proposition is the relationship. We are a fully disclosed bilateral service – the banks do not deal with each other, neither do the clients. They know who they are dealing with and we are able to provide banks the opportunity to produce a stream of prices that are specific to that client.”

FXSpotStream, a wholly owned subsidiary of NJ-based LiquidityMatch launched in May this year. The majority of LiquidityMatch shareholders are also liquidity providing banks of FXSpotStream, although it is understood Morgan Stanley is not a shareholder.

Harry Moundjian, executive director at Morgan Stanley tells Profit & Loss: “Our participation in

FXSpotStream provides a substantial benefit to our clients. As the market evolves, it's important we remain innovative and flexible in our electronic offerings. We are always focused on identifying opportunities to better serve our clients and FXSpotStream offers another mechanism for us to deliver our liquidity to clients efficiently.

“By collaborating in FXSpotStream, we are pleased to be able to offer our clients this valuable connectivity, ultimately strengthening our relationships with consumers interested in this service.”

Rick Schonberg, a managing director and head of e-FX distribution at Goldman Sachs, adds, “The addition of Morgan Stanley brings another valued liquidity provider to FXSpotStream. Now that FXSpotStream is live globally, the FX banks connected to the FXSpotStream service are able to deal directly with clients in a more efficient and transparent manner.”

The technology that underpins FXSpotStream is provided by French company SmartTrade Technologies. The infrastructure facilitates the multibank API and associated routing mechanisms to direct trades from clients to the liquidity providers.

Schwarz is in discussions with other liquidity providers and says that customer support and sign-up continue to be priorities for the company. “We’re focusing on on-boarding more clients and on-boarding more liquidity providers, therefore the Morgan Stanley announcement is consistent with our progression. We expect to be announcing other liquidity providers in the future,” he adds.