



FXSpotStream

a fast and transparent price aggregation service offering no cost execution and economies of scale

e-Forex talks with Alan F. Schwarz, CEO of FXSpotStream LLC, the fast growing technology and infrastructure company which provides a multibank spot FX price aggregation service

Alan, why was the decision taken to launch FXSpotStream and was the timing right for it?

Yes, we think the timing was exactly right. There were several reasons supporting the launch of FXSpotStream, but key reasons were reducing costs for liquidity providers and clients and creating efficiencies for all parties involved. At the same

time we increase transparency between the counterparties and preserve the bank to client bilateral trading relationship.

FXSpotStream provides a multibank FX aggregation service to clients for the purpose of executing Spot FX trades. How does your infrastructure facilitate this?

Our infrastructure is located in three centers – New York, London and Tokyo. We have written to the APIs of each of the 8 liquidity providers that are currently part of the FXSpotStream Service and have been certified on each of those APIs.

Our clients write to our FIX API once and they then have the ability to transact globally with as many

The screenshot displays the FXSpotStream GUI interface. The main area is a grid of currency pair quotes, including EUR/AUD, EUR/USD, AUD/USD, USD/SEK, EUR/GBP, EUR/SEK, EUR/JPY, and USD/ZAR. Each quote shows bid and ask prices for various bank pairs (e.g., MS, COBA, UBS, GS, CITI, BAML, HSBC). Below the quotes is a table of orders with columns for Time, Currency Pair, Side, OrderStatus, Amount, Price, LimitPrice, TradeDate, RejectReason, ClientOrderID, ValueDate, and BankExecID. The interface also includes a top navigation bar with 'My Group', 'HSBC', and 'EDIT' buttons, and a right-hand panel for order details and execution status.

FXSpotStream GUI

liquidity providers as they have a counterparty relationship with.

What technology underpins what you are doing?

smartTrade Technologies provides the technology that supports the FXSpotStream software and infrastructure.

Who are the liquidity providing banks currently on FXSpotStream and why were they attracted to the services it offers?

FXSpotStream’s 8 existing liquidity providers include BofA Merrill Lynch, Citi, Commerzbank AG, Goldman Sachs, HSBC, J.P. Morgan, Morgan Stanley and UBS. Liquidity providers on FXSpotStream, as is the case with clients, do not pay commissions to use the Service. FXSpotStream creates efficiencies and reduces costs for the liquidity providing banks and allows them to have a transparent venue to transact with clients on a bilateral fully disclosed basis. The result should be better pricing for the client.

Do you expect to continue to add more banks or will this be limited?

Yes, we expect to add more banks as liquidity providers to FXSpotStream’s clients. We continue to be approached by and speak with other potential liquidity providers about joining FXSpotStream. We have added 2 liquidity providers to the initial 6 since our production launch one year ago and we continue to

work through our pipeline of clients who wish to use the Service.

In what ways does FXSpotStream differ from other trading venues to provide an ecosystem where all participants are able to extract value?

There are several significant differences, but one key difference is that FXSpotStream is a utility that charges no fees to clients to access the Service, which is unique in the market. As a result, we are able to ensure that all parties that use the Service extract fair value. Clients pay nothing to use the Service and are able to connect to multiple liquidity providers over one connection, thus saving line costs and time to market is much faster. Similarly, liquidity providers are able to eliminate the commissions they pay to transact with their clients; they reduce the overall costs to support an



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infrastructure, and likewise are able to preserve the bilateral bank to client relationship. The end result is that clients and liquidity providers get back to the basics of trading with each other.

What client feedback have you had so far and has this influenced your original business plan in any way?

The reception from our liquidity providers and clients has been extremely positive. Getting back to basics when it comes to exchanging risk, doing so in a transparent manner and addressing the ever increasing costs of execution is a common theme in conversations we have with our clients and liquidity providers. The feedback has been about adding tools to the existing offering and adding more products since the model works beyond spot FX. We have made several enhancements to the offering since our launch related to performance, trade information flow and execution options and we just launched a front end GUI to complement the initial FIX API offering.

What steps have you taken to ensure the reliability of your service is maintained?

We have a global 24 x 6 support desk, including engineers and developers, that closely monitors the Service and ensures that any issue is quickly investigated and resolved. Further, we have 3 separate sites plus a DR site that allows us multiple options to provide access to the Service should we encounter an issue in any one of our global centers. We never close during the trading week– we open at 7 am NZST on Monday and close at 5pm EST on Friday – and since we opened the Service for business we have not had any need to interrupt access to the Service available to our clients and liquidity providers.

FXSpotStream has accomplished a great deal in a very short period of time and delivered on the expectations of your liquidity providing banks. What are your strategic objectives over the next few months for expanding the functionality and range of your services?

We have been very fortunate to have the full support of our liquidity providing banks and the clients we have already taken live. Our level of success and the ability to execute as quickly and as well as we have been able to is a clear reflection on the commitment our liquidity providing banks have made to our business. The focus in the near term is simple – on board more clients and ensure that the Service’s availability is uninterrupted for our liquidity providing banks and clients. In parallel, we remember to listen to our clients and liquidity providing banks and provide functionality they need; which includes a GUI; and enhance the offering by adding more products, which we expect will soon include precious metals.

Over the last year the FX market has seen the launch of a number of new platforms and trading venues. Some of these will thrive whilst others may not. What gives you and your stakeholders confidence in the long term success of FXSpotStream?

We are different from all other venues that have launched around the time that we launched, and from those that sought to emulate our model after we launched our business. There is no other service that combines the compelling features FXSpotStream has brought to the market. FXSpotStream does not charge brokerage commissions to clients and liquidity providers; reduces the infrastructure and maintenance costs for all the users of the Service, in particular for the liquidity providers thus allowing for better pricing for the client; and allows for transparent, bilateral trading among counterparties. And, the majority of the shareholders of FXSpotStream’s parent are also liquidity providing banks of FXSpotStream. Combining these characteristics allow us to satisfy a need in the market and with the support of our clients and liquidity providers we are confident we can continue to deliver the high level of service we have provided since we opened the Service for business close to one year ago.