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Further consolidation among venues and providers ahead

Cost-cutting has become a regular feature of foreign exchange markets over the past few years and a relentless one across all areas of trading. Banks and providers are seeking efficiencies in cost and distribution, while buy-side firms and clients are becoming increasingly focused on finding ways to lower trading fees.

This drive has been playing into the hands of FX distribution utility FXSpotStream, (FSS), which saw volumes increase by 25% between January and November 2015, compared to the same period of the previous year.

“The main theme we expect to see in the FX market in 2016 is further consolidation among the platform providers and venues. Driving this is the need for market participants to take into account the cost of execution, and how difficult it is to reduce that cost and create efficiencies, which FSS has done a very good job of addressing,” says chief executive Alan Schwarz.

The firm’s niche is that it does not charge price-takers a fee, while liquidity providers do not incur fees on a per-transaction basis to price clients on a fully disclosed basis. Schwarz notes that for competing trading venues with “old-style” pricing models, lowering costs will remain a challenge.

During 2015, FSS increased the number of market-makers on its



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platform to 12 banks, introduced a request-for-stream functionality, and added FX swaps and forwards. It also upgraded its GUI and saw “tremendous growth” in both FX swaps and precious metals trading on top of spot.

“As the market structure has changed, participants are more concerned about the fees they are paying to venues. This drive to make trading costs more transparent is being driven by both the clients and banks,” he adds.

Schwarz also emphasised quality of customer service as an area where FSS was able to differentiate itself in the crowded platform space, enhancing its ability to win business. Relationships with customers and liquidity providers will become more important, not less, in the coming years, he says.

“This is one area some venues have undervalued; some think that with all the trading technology now, relationships and support do not matter as much. This just isn’t the case. Building successful relationships and providing top customer support will always be key to how we work with our clients and liquidity providing banks,” he adds.

In the year ahead, FSS plans to focus on lowering costs for market participants in a bid to increase its volumes and reach.

“[The priority] for FXSpotStream is simple – increase our volumes, increase our number of clients and continue to expand our product range while providing excellent customer service. We are looking forward to the challenge,” Schwarz says.  Eva Szalay