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Achieving a balance for all market participants

SAME DAY SETTLEMENT IN FX

Not just a pipe dream

OPTIMISING FX STP

AI and ML add intelligence to automation

PROVIDER OF THE MONTH

Cutting edge e-FX innovations from Deutsche Bank

OPEN BANKING

Why it is set to transform FX

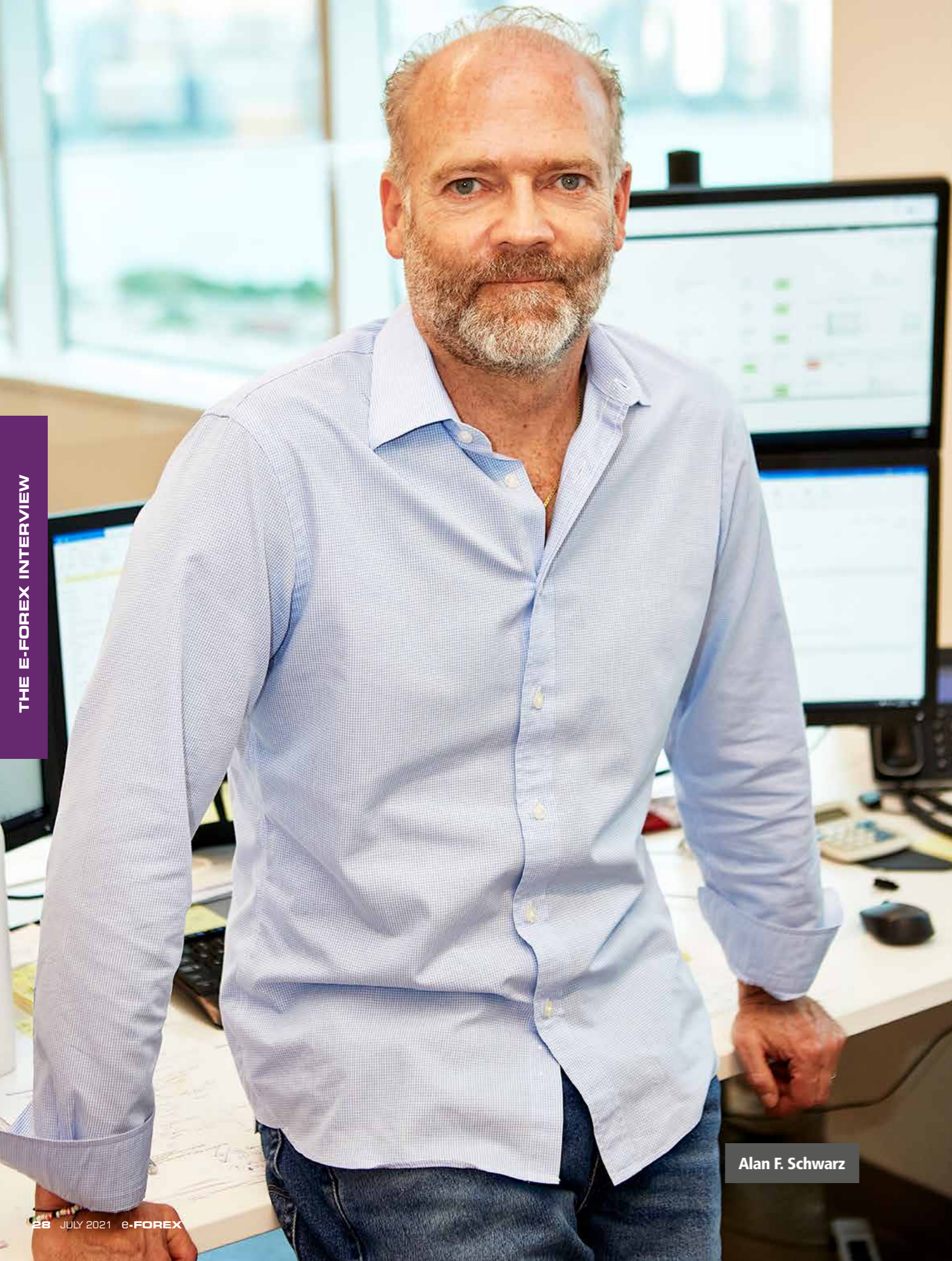
DATA

Dominating the Buy-Side approach to FX Trading

COVER INTERVIEW

ALAN F. SCHWARZ
CEO of FXSpotStream

LIQUIDITY • RISK MANAGEMENT • STP • E-COMMERCE



Alan F. Schwarz

FXSpotStream

A remarkable growth story driven by exceptional client service, agile product delivery and extreme attention to detail

FXSpotStream was formed in 2011 and is a subsidiary of LiquidityMatch, the bank owned consortium operating as a market utility. The company has been achieving extraordinary growth figures and so we spoke to its co-founder & CEO, Alan F. Schwarz, to see what lies behind this and how the firm has been navigating the difficulties thrown up by the COVID-19 pandemic.

How has the year 2021 started for FXSpotStream?

2020 was a great year for us with overall volume up 18.52% over the prior year, and we are delighted to say that 2021 has maintained that momentum. In March '21 we recorded our second highest ever ADV at USD54.674 billion. This year we continue to see strong growth in all products, most notably Swaps (up 44% YoY), Forwards (up 57% YoY) and NDFs (up 233% YoY).

We see the growth in our volumes as a reflection of our achievements in two key areas. First, we are always looking for opportunities to bring on new clients and find opportunities for both LPs and clients to expand their existing business through FXSpotStream (FSS). Second, we continuously focus our resources on adding to the product offering while

never forgetting that supporting the existing users of our Service needs to be at the top of our list.

What do you think drove your company's success last year?

In 2020, FSS registered as the fastest growing eFX service for the third consecutive year. 2020 was a unique

year for everyone and not something anyone could be completely prepared for. Of course, we always plan for growth and look to have extra capacity in our infrastructure, so that certainly served us well.

Despite the extreme volatility that started in late February and continued into March, our Service



An ongoing reason for our success is that our commercial model remains unique to this day

FXSpotStream - A remarkable growth story driven by exceptional client service, agile product delivery and extreme attention to detail



It was important for us to grow our support network in tandem with our product offering

performed extremely well. Pricing from our Liquidity Providers (LPs) was always available. We saw extreme volatility, but we saw our banks pricing consistently and risk being transferred. In addition, our infrastructure, connectivity and communication tools were up and we had no disruption in the Service at all.

An ongoing reason for our success is that our commercial model remains unique to this day. LPs are charged a flat fee to trade as much as they want with their clients, while clients

pay nothing to use the Service. The more an LP trades with a client, the lower their “effective rate.” Because our LPs pay less when they use our Service, we now see many LPs paying a nominal per million fee effectively compared to any other service on the street. This gives LPs the maximum amount of flexibility when it comes to pricing clients. We also allow our clients and LPs to interact with each other in a much more efficient and cost-effective manner by connecting physically over one API to various clients in the case of the LP and 15

LPs in the case of our clients. In addition to our commercial model, the disclosed nature of the LP and client relationship over FSS remains a significant reason for the growth in our volumes. The trend we have seen for the last 6 years in clients and LPs migrating to disclosed trading continues as they want to know who they are interacting with at all times. The nature of the disclosed relationship also allows for the parties to address credit, market impact and information leakage concerns.

We recently reported on your plans to support Algos and Allocations over the API. How is that project coming along?

In late June we went live with our support for the LP Algos and supported Allocations and now have multiple clients live accessing this functionality. The project was a great step for us and gives us the opportunity to broaden our reach into the FX market.

A great deal of work has taken place on our API to support all the Algos of our LPs. Our aim is always to make the interaction between our clients and LPs as efficient as possible. Clients seeking to access the Algos of our LPs will not need to add any additional network infrastructure, connecting in the same way as they do today - accessing a normalized API through a single FIX session that provides access to algos offered by multiple providers.

Significantly, clients do not pay a fee to FXSpotStream to access any of the supported LP Algos, which remains a key part of our ‘free to taker’ model across the Service. Any fee LPs charge the client is handled away from FSS.



We have a deep bench of talented individuals with many years of experience in the banking sector and at other FX venues

What factors influenced the decision to support all Algos?

Although the pandemic has certainly accelerated the need for more automation, the topic of Algos was already high on everyone’s agenda. When we looked at the offering, it was not just one Algo per LP and that led to an interesting choice for us. Some of our banks offer dozens of Algos and a number of parameters, while others take a different approach - offering a VWAP, TWAP and a few other variations.

We felt that given the varied nature of our client base, coupled with the variety of Algos offered by each bank, there was a real need for us to normalize everything rather than

having to cherry-pick the best Algos available. We did not want to be in a situation where a client was unable to customize their execution preference because we did not have the desired Algo available via the Service. We know that can lead to clients looking for a solution elsewhere.

As we started the process of normalizing all Algos, we were confident we had made the right choice and the work would be worth it. Now we are in a position to offer the entire Algo suite of our liquidity providers, which currently includes over 70 different Algos and 200 plus parameters.

Why did you choose to target the API initially?

The majority of Algos in the industry are currently supported over a GUI, and that is coming at the end of this year/early Q1. However, with the effects of the pandemic still being felt, especially in the workplace, we saw a growing demand from clients for the automation of their processes, controls and reporting functions. Automation brings resilience, especially in the case of a dispersed workforce, and that just screamed ‘API’ to us, which is our strong suit.

We, of course, know there is a lot of Algo business being done via a GUI, however, we have started with our strength - the API – and will complement that with the GUI that we will be rolling out. Our GUI will offer everything our API offering has, and we expect that once live a

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Our US team are all back to the office



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good number of clients will migrate to the API. We see real benefits in using the API, however, we also appreciate the need for clients to build a level of comfort on the GUI before making the natural transition to the API.

You are joining a competitive space with this launch, does that concern you?

We are not concerned. We are leading the space with an API that offers access to all the Algos of our LPs. We will also support Spot and NDFs on the LP Algos. Plus FX Algos still have plenty of room to grow and we expect to capture a large share of that opportunity. In addition, we expect Algos can go the same way as our NDF launch – clients come

to us to use Algos, see we do other things as well, try us out and like it, and ultimately increase their use of FXSpotStream.

What is driving the growth in FX Algos?

The automation of the foreign exchange market has seen a strong shift from its roots of telephone trading and voice desks to today's technological world. Algorithmic trading is another area of the FX market that has seen significant growth as clients aim to obtain a better price and execution, while limiting the risk on their part. Today, Algorithmic trading accounts for around 30% of all institutional foreign exchange trading volume and around half or more of all equity trading volume. Thus far, the demand for our Algo offering has been very strong, and we know we have an excellent offering in place to compliment these additions.



Our priority is always to make sure we are providing the best possible service for the products we currently offer

Have you grown your team to support the product growth?

Yes, and we have also leveraged the existing team. We have a deep bench of talented individuals with many years of experience in the banking sector and at other FX venues. To accommodate the Algos and Allocations offerings we have made several additions to our Support and Relationship Management teams, as well as some key additions in Sales. It was important for us to grow our support network in tandem with our product offering so we ensure that we maintain the top-quality support we are well known for. Although we are now closing in on our ten-year anniversary as a company, and have experienced tremendous growth year on year, we emphasize a small-business mentality with our team. We take nothing for granted and leave no stone unturned. We see these as vital characteristics that have allowed us to close the gap on the competition and move ahead.

How can automation help traders with volatility?

There are many considerations Algo users have when accessing Algos to trade. Among other things, users look at ease of use, reduction of market impact, better price execution, and consistency in execution. When markets are volatile, as was seen during the midst of the pandemic, all of the noted considerations come in to play to differing degrees. Add to these considerations the specific Algo selected - whether a VWAP, TWAP, FIXING, aggressive, passive, etc. In the end, it's the various considerations of a given trader and the types of Algo that continue to attract users to FX Algo execution and are driving the growth in Algo volumes. Indeed, March of 2020 at the height of the pandemic driven



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volatility, Algo execution increased and that was also in part related to the fact that the workforce was dispersed and automation ensured risk could be transferred at a time when it mattered most.

With offices across three countries, how have you managed to stay united throughout the pandemic?

Before the pandemic we were a close group across the globe travelling often between offices so people knew each other. We had the processes and procedures in place to ensure that our teams globally communicated constantly on issues impacting the Service, our clients and our banks. The pandemic altered the ability of our teams locally to be in the same room, but our cross-border communication was already in place and working efficiently. The pandemic required us to in essence apply the model we used

across countries to people working remotely who previously worked in the same location. So, the transition was seamless and transparent to our users. That said, it is because of the culture we have cultivated and the in-person team dynamic we have that allowed us to continue to operate with no disruptions and we plan to all return back to the office as we accelerate the growth of our company.

How has the pandemic affected FXSpotStream?

On the business side, we were fortunate that our business grew faster than ever before. We added clients, continued to grow our volumes and added team members in each of our offices. Notably, we were in the middle of the development of our Algo and Allocations offering. Despite the challenges from the pandemic our product roll out



Despite the challenges from the pandemic our product roll out was delayed for less than 45 days. An amazing accomplishment by a dedicated team

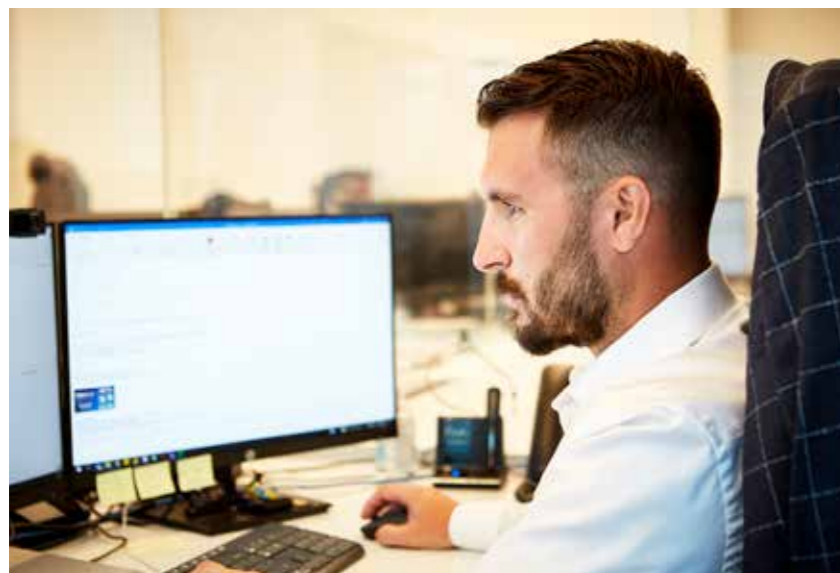
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The activity level on our Service hit all-time highs. Around March 12th, 2020, when we saw incredible

swings in the Dow Jones Industrial Average, the order count on the Service was up 100% compared to January, and message updates were up 300%. Nonetheless, the Service was up for 100% of the time in 2020.

March 2020 saw us cross the USD1 trillion mark for the first time in company history, an achievement we have matched three times so far in 2021. Our ADV for March 2020 of USD62.378 billion remains the highest ever on the Service and the daily high on March 9, 2020, of USD89.6 billion is still our daily record.

On the personnel side, we were able to transition every staff member,



The disclosed nature of the LP and client relationship over FSS remains a significant reason for the growth in our volumes

bar two in our US and Tokyo office for contingency reasons, to work from home with no interruptions. Our US team are all back to the office and we are in the process of bringing the London and Tokyo team back. We have also managed to relocate to larger office space in all three locations in the middle of the pandemic.

You recently announced crossing the USD50 Trillion mark in terms of volume supported since going live. Congratulations.

Thank you. This was a great achievement for the team, but it also demonstrated the rapid and continued growth we have seen since the business was formed over 9 years ago. Our first 10 trillion of volume took 43 months to reach; the second 28 months, the third 18 months, the fourth 13 months (including the COVID time period) and the fifth just 11 months. This really highlights the acceleration of our growth over the years. Now as we add two vital pieces of functionality with Algos and Allocations, we are confident that



One of the core values of FXSpotStream is that we challenge ourselves continually to grow every year

the next 10 trillion will take even less time to reach.

Do you have any further launches coming this year?

One of the core values of FXSpotStream is that we challenge ourselves continually to grow every year. Later this year we will be adding Algos and Allocations to our GUI. We

also have a significant project we are working on that we will announce in Q4 that will offer even greater benefits to our clients and LPs when they use our Service.

What will 2022 look like?

We expect 2022 to continue the growth we have seen every year since 2011. Though we continue to add new products and grow our team, we maintain a strong focus on our core streaming business. Almost ten years ago we were formed offering FX Spot, only. Fast forward to today and we are the fastest growing eFX service, offering streaming of pricing in FX Spot, Swaps, Forwards, NDF/ NDS and Precious Metals Spot and Swaps.

Before adding any new functionality, our priority is always to make sure we are providing the best possible service for the products we currently offer. We are more bullish about our business today than when we started in 2011 and are excited for the future as we continue to take on more areas of the market that need our Service.



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