



# **Developments in FX Prime Brokerage**

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# FXPB Growth

- **FXPB provides separation of execution party and settlement party**
- **Recent growth driven by;**
  - **FX eCommerce**
  - **Anonymity on ECNs**
  - **New entrants, non traditional users – high volume program trading**

# Direct Market Access



- **FXPB provides clients with access not only to Banks but to multiple liquidity venues**
- **Clients continue to access bank liquidity via API**
- **FXPB provides anonymity on ECNs by substituting client name for FXPB name**
- **Algorithmic capability in demand**
- **Mifid a factor**



# Issues for FXPB and FX Operations

- **Volumes**
  - Program trading results in very high volumes of low notional ticket sizes
  - Implications for operational capacity and potential systemic operating risk
- **Costs**
  - Program trading models include cost of execution
  - Margins are thin so costs are a critical factor to clients
  - Banks have traditional high friction ticket costs
  - Ticket costs unsustainable

# Looking ahead

- **Reducing ticket volumes**
  - **Pre operations netting solutions**
  - **Cost reduction creates real competitive edge**
- **Clearing model development**
  - **Does the CME provide an alternative?**
  - **Can banks compete?**