

Euronext FX: Same Platform, Bigger Ambitions

www.profit-loss.com

Published: June 5, 2019 in Market Talk, Viewpoint

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Kevin Wolf, CEO of Euronext FX, explains how the rebranding of FastMatch is indicative of the widening client base and service offering of the firm.

Profit & Loss: You recently rebranded FastMatch as Euronext FX, can you talk me through the thinking behind this change?

Kevin Wolf: This rebranding shows that this is an important business to Euronext. When the deal was first announced it wasn't a 100% acquisition and so I think that this removes any questions about the ownership and commitment to this business.

Then when you think about the words "fast" and "match", they are very relevant for the firms that were early adopters of the platform, but as we enlarge our offering and approach a wider set of clients matching, "fast" isn't the only thing that matters. The business is also broader than just the ECN now, with Euronext FX Tape, for example, so it reflects this change too.

And on top of all this, Euronext has such a strong brand presence and many of the potential new users we're talking to know the firm already whereas they might not have known what FastMatch was. Indeed, the other aspect around the rebranding is that it gives market participants comfort to know that we're backed by a large, stable and highly regulated organisation.

Does renaming the platform mean that we are a completely different company today compared to before? No, and it's important to note that FastMatch remains the underlying technology.

P&L: What is the latest status of the integration between the platform and Euronext?

KW: I would say that the integration is 100% complete but not 100% maximised yet. In fact, I tend to think of integration projects like this in layers.

The first layer is shared services – accounting, finance, HR, legal, etc. The second layer is the early stages of cross-selling and coordinating amongst the commercial teams which is, frankly, more information sharing than anything else. And then the third layer is true commercial engagement – therefore market data, technology solutions, M&A, etc.

At the moment, all of the pieces are in place, but it's still early days in terms of optimising everything. For example, Euronext licenses technology and while this isn't an area that we've been very focused on in the past as our technology has evolved and our client base has grown, we've received a lot of in-bound enquiries about licensing it. Being part of Euronext means that we can leverage their existing expertise in this business segment.



Kevin Wolf

It's the same with market data, a business in which we're relatively new, whereas Euronext has been doing this for a long time and therefore they have in-house expertise in things like best practices, documentation, pricing, distribution and marketing that we can lean on.

P&L: You mentioned before that you're approaching a broader set of clients, is this part of the cross-selling effort?

KW: Client acquisition continues to be a huge focus for us.

This company grew up on the back of proprietary trading firms, banks and retail brokers, with a better penetration in New York versus Europe and Asia. The growth will come from adding more buy side clients.

P&L: "Buy side" can refer to a lot of different firms, are you targeting one specific client type within this segment?

KW: If you think about the spectrum of buy side firms, on the one side you have quantitative systematic hedge funds, which on any given day can look more like a prop trading firm or even a bank, and then on the other side you have the GUI clicking hedgers in the corporate space. We've started with the former group, which is adjacent to our existing client base, and then we'll work our way across the spectrum, with asset managers also being a focus in the near-term. Generally speaking, asset managers don't have prime brokers (PBs), so if they come in it's through one of the novel arrangements that exist in the market today.

P&L: Such as?

KW: Well one example is the Sponsored Access offering, with which we've had some good success. In this model, the bank deals with the credit, workflow issues and post-trade allocations and thus streamlines onboarding for us. The funny thing is, we've actually had asset manager flow on the platform for years, we just don't see it as their flow because it comes through a bank algo without any name attribution. When the asset managers look at their TCA reports they see our name all over it. We're now seeing a hybrid model emerging whereby asset managers are using bank algos to execute but they're directing the algos to send the orders to Euronext FX and not to multiple liquidity sources.

So they're still using the bank's infrastructure, its credit, post-trade services and the algorithm itself, but by directing it to a single venue versus distributing it amongst The Street they get better execution. And we've worked with third parties to produce TCA to prove this claim. In this model, the client gets better execution and we're not disintermediating the banks, so in a way it's a three-way partnership. But this model obviously only addresses the portion of spot trading that these clients do in algo form.

Now, it could be that the uncleared margin rules coming into place cause asset managers to start trading through PBs, and although these rules only impact derivatives, it could also benefit the spot market as well. But that's more of a story for 2020 and beyond.



Kevin Wolf speaking at Forex Network New York 2019

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"We're excited about FX Tape. It's taken a while to build it to a level where it has critical mass. But while we've done a good job promoting it at a high level, we're now focused on promoting the attributes and use cases"

P&L: What's the selling point of Euronext FX to these asset managers then? The FastMatch business was built on the back of the technology and speed of the platform, but you indicated earlier that these aren't the only things that matter for buy side firms.

KW: What we offer in terms of order types is very unique, but also if a client wants additional functionality and it makes sense, then we'll consider adding that functionality on demand.

I wasn't saying earlier that speed didn't matter, but rather that it's more of a prerequisite. Being the fastest – which we still are – still provides an edge, it's just not sufficient on its own.

The other piece, particularly when we're talking to asset managers that are less familiar with ECNs, is the way we offer customised liquidity. We don't operate a single order book, but hundreds of them, and we're creating markets that are optimised based on the flows of our clients. This liquidity management piece can be very valuable to asset managers who benefit from seeing anonymous liquidity from new sources which has been 'curated' based on how they trade.

P&L: You've made reference to market data a couple of times now. It seems that lots of FX platforms want to be in the market data game these days, where do you see the value in Euronext FX's market data compared to these other firms?

KW: For us, market data takes two forms: Euronext FX Tape and the market data coming out of the ECN.

On Euronext FX Tape, we recently hit the \$100 billion range, and with events like the yen flash crash, people are starting to really pay attention. We had a lot of trade prints on FX Tape in the moments leading up to the event, and although I'm not a quant I know enough to know that if I was a quant I could have done something with that information. So it obviously has value to those types of firms.

We're excited about FX Tape. It's taken a while to build it to a level where it has critical mass. But while we've done a good job promoting it at a high level, we're now focused on promoting the attributes and use cases.

We're also finding that some firms that haven't shown a lot of interest in trading on our ECN in the past are asking more and more questions about the FX Tape. And this is where the name change actually matters – nothing is being "matched" on Euronext FX Tape, so the old branding wasn't that relevant. By updating the name it just helps clarify what this is for people.

On the ECN market data side, we're late to the game but we're not building something from scratch here, this is an underlying asset that's been sitting around, it's just that we're putting a commercial effort around it now. People who trade on our platform get the market data, there's nothing to talk about there, so what we're really looking for are novel applications for this data.

P&L: Another big initiative for you has been the launch of your Singapore matching engine. Can you tell us more about that and your plans for the APAC region more broadly?

KW: Yes, we've had a matching engine in Tokyo for some time, we do good volume there orientated around local Japanese flow, but it's not as big a market for us as London or New York. We don't expect any of this activity to migrate to Singapore because, for us, it's not Tokyo or Singapore, it's Tokyo and Singapore. According to the BIS numbers, Singapore is the third largest FX trading centre in the world, the Monetary Authority of Singapore (MAS) is doing a lot to promote e-FX infrastructure there and, as a result, we see significant potential upside by having a presence there.

All the pieces are already in place for Singapore to become a major e-FX hub, we have an existing client base that we can rely on for early liquidity, and there also is a lot of potential for client acquisition as we haven't penetrated this area of the world that much prior to now.