FX Electronic Trading

This document is provided for information purposes only, contains attributed third party information and may change without notice.
Key themes for today’s discussion

- FX Market participants and structure
- Impact of multiple liquidity access points
- Increased automation and algorithmic trading
FX Market participants and structure

**PROPORTION OF FX TRADING VOLUME, BY CHANNEL**

Source: BIS, FRBNY FXC, BoE FXJSC, Oliver Wyman estimates of electronification based on BoE FXJSC and FRBNY FXC time series data; GFMA FX Market Fact Base; published 2015

**Spot market daily turnover $BN**

Source: BIS, FRBNY FXC, BoE FXJSC, Oliver Wyman estimates of electronification based on BoE FXJSC and FRBNY FXC time series data; GFMA FX Market Fact Base; published 2015
Impact of multiple liquidity access points

2015 - 2016 Sample EURUSD Spread Costs Observations

- JPM Observation
- Primary

Sampled average top of book pips

SNB

JPM Observations; based on access to multiple FX ECN liquidity providers.

Source: GFMA/OW FX Market Fact Base; published 2015
Increased automation and algorithmic trading

Extract from:

THE WALL STREET JOURNAL.

Article: Sept. 28, 2015

**Swapping Traders for Software**

Algorithms are now used to execute a growing portion of currency trades.

<table>
<thead>
<tr>
<th>Average daily volume, in trillions*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voice:</strong> dealer–dealer, dealer–customer</td>
</tr>
<tr>
<td>$0.8</td>
</tr>
</tbody>
</table>

*Spot-market trades. †Algorithms weren’t used in 1998.

**USE OF ALGORITHMIC MODEL TRADING**

Volume-weighted proportion executed using algo tools

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund managers/Pension funds</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>Hedge funds/CTAs</td>
<td>33%</td>
<td>61%</td>
</tr>
<tr>
<td>Total institutions</td>
<td>27%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Note: Based on responses from 1,660 foreign exchange users trading online in 2014 and 1,597 in 2015. Source: Greenwich Associates 2015 Global Foreign Exchange Study

Greenwich Associates publication titled Diversifying Liquidity – Attaining Best Execution in FX Trading, May 12, 2016