



# API Trading on the EBS Platform

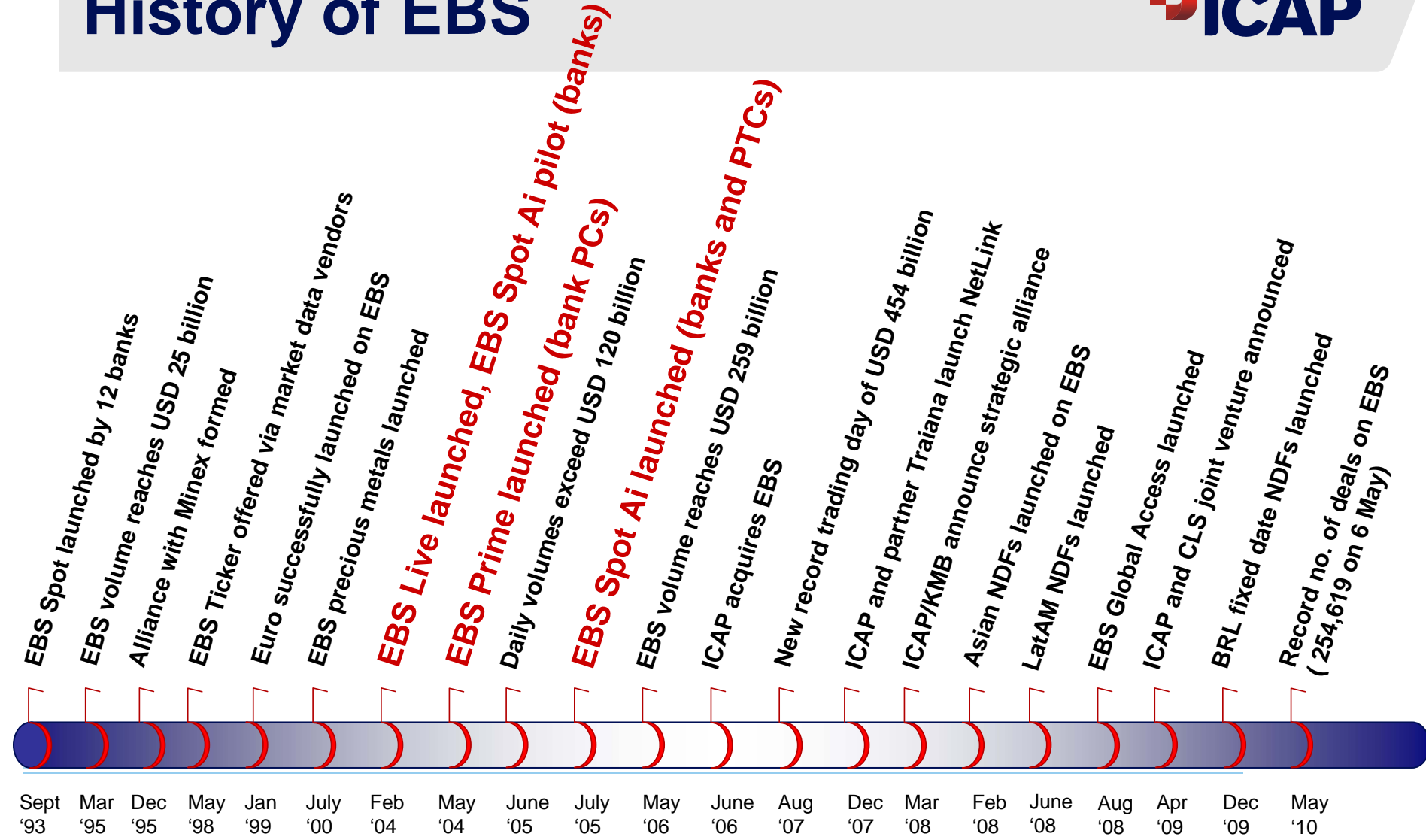
Presentation to the European Central Bank  
24 June 2010

**Steve Toland – Head of EMEA and NA Sales**  
**ICAP Electronic Broking**



- API trading on EBS: five years on
- Today's EBS market – an update
- Who is the EBS API customer?
  - Banks and non-banks
  - Trading strategies
  - Trading behaviour
- Manual-API volume split trends
- Managing growth
  - Customer feedback
  - Deal time
  - MQL
  - EBS Live distribution interval
  - Supporting the competitiveness of EBS manual traders
  - Maintaining an orderly market

# History of EBS



# EBS volumes – Jan 1996 to May 2010

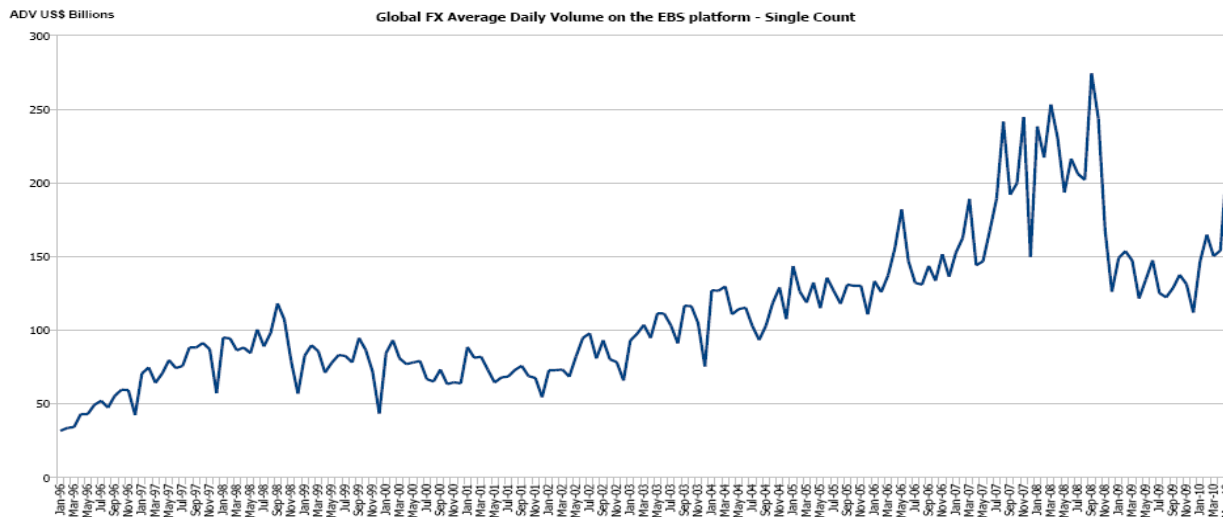


Global FX Average Daily Volume - Single Count

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Start Date: Jan-96

End Date: May-10



## 6 May 2010 – record volumes and transactions

- 254,619 transactions on 6 May 2010 (all-time high)
- USD 393.1 billion (single count) in daily volume (fourth highest)
- Uninterrupted, orderly access to prices and execution all day

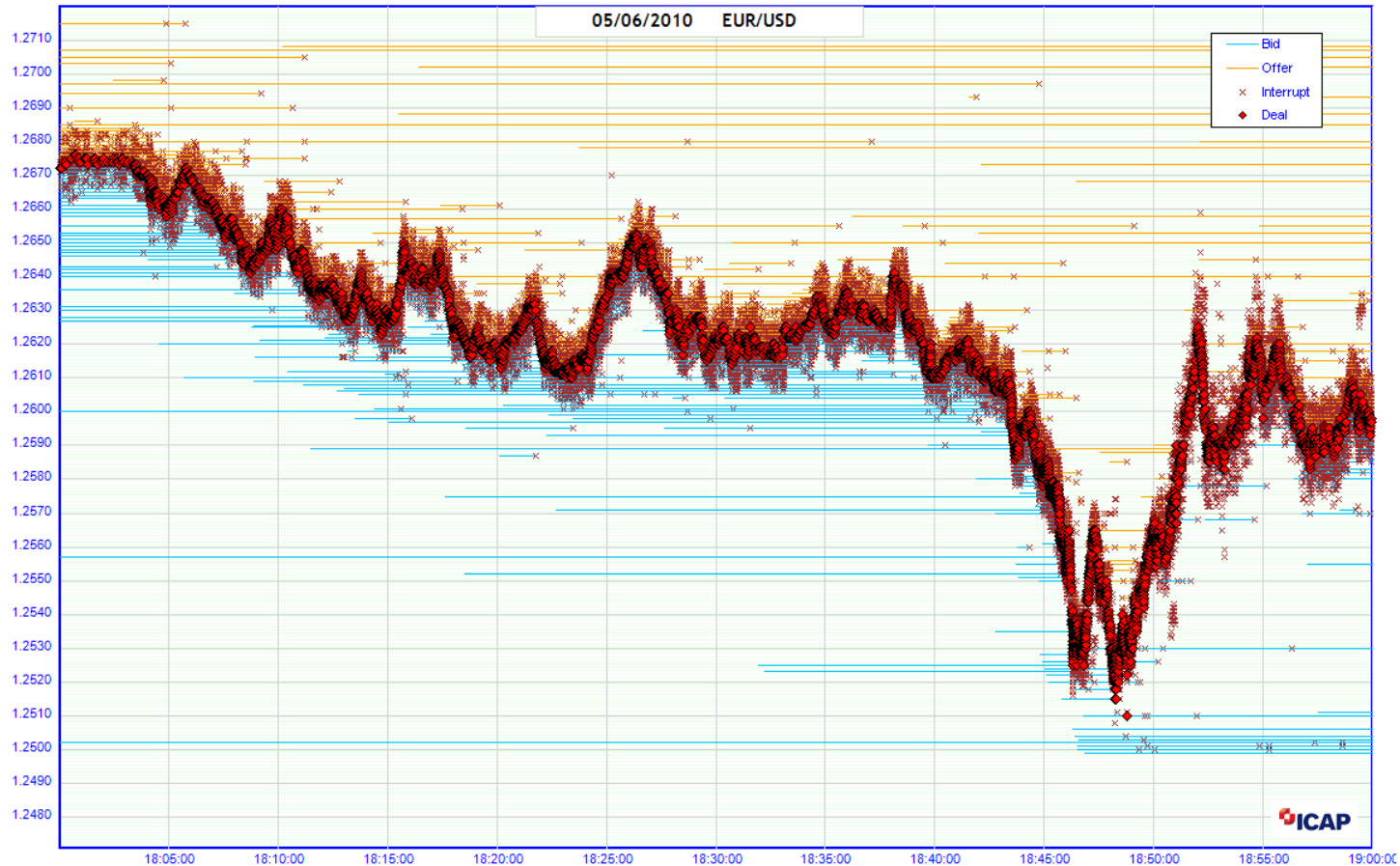
## Our focus

- Continue to improve execution experience on EBS
- Sustained product/technology investment to benefit EBS customers
- Ongoing commitment to new product education, customer support

## 2009 Federal Reserve research paper – key findings:

- Growth in HFT has not degraded overall spot FX market quality
- Contrary to common lore, HFT participation actually lowers market volatility
- Computers provide liquidity more strategically than humans

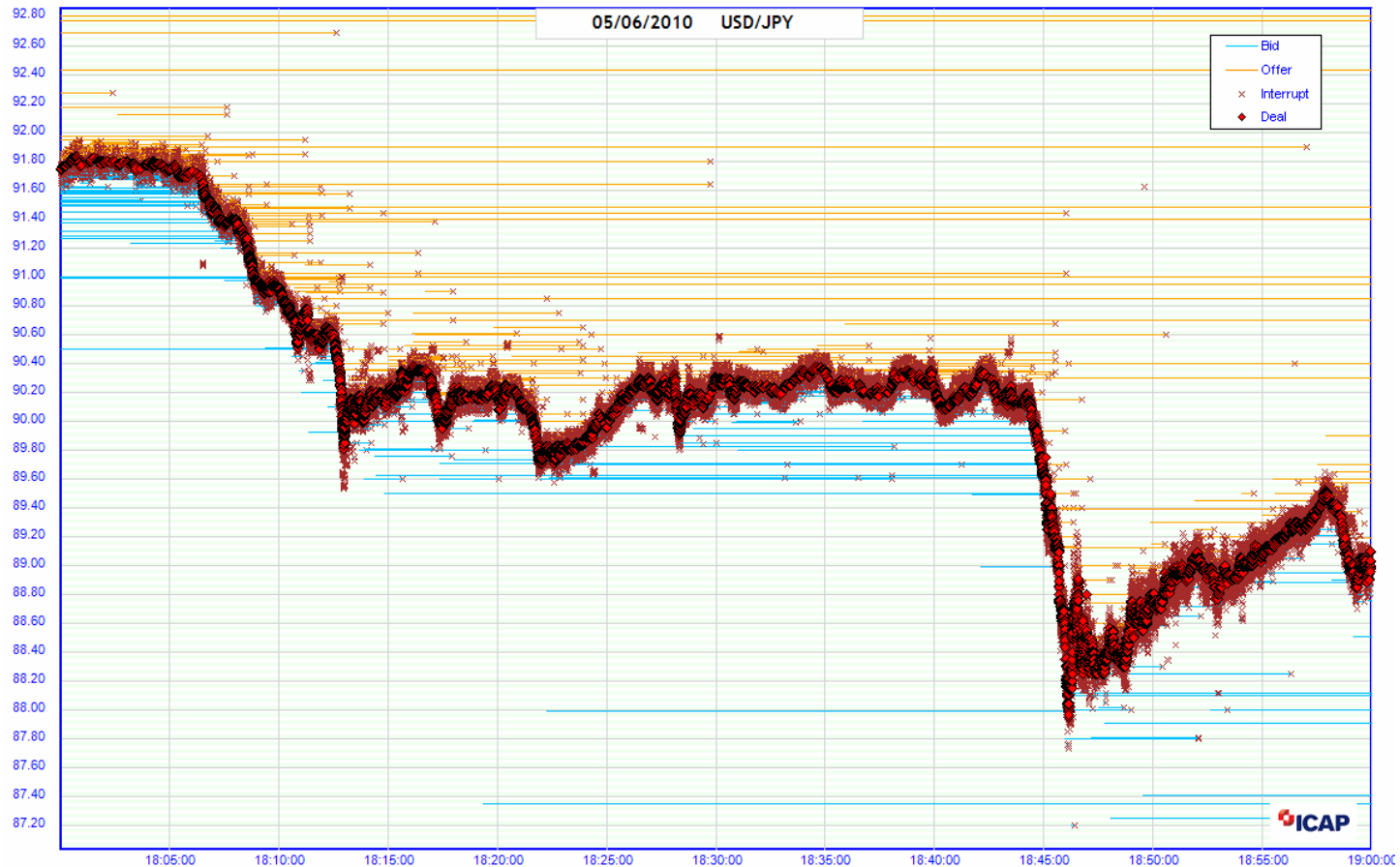
# EUR/USD price action – 6 May 2010



6 May most active 5 minutes (18:45-18:50 GMT) – EUR/USD:

- 2, 553 deals
- USD 3.425 bn

# USD/JPY price action – 6 May 2010



6 May most active 5 minutes (18:45-18:50 GMT) – all pairs:

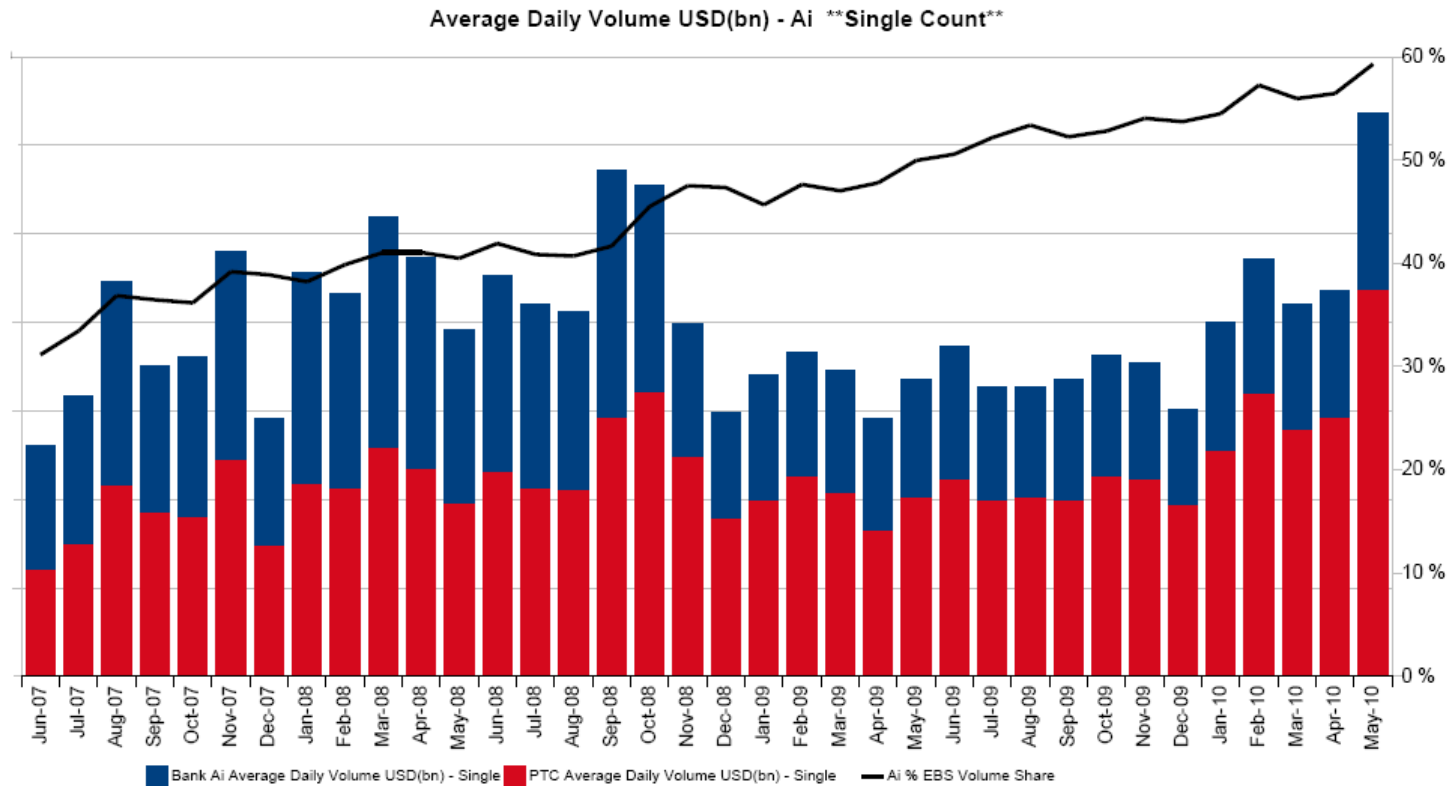
- 6, 252 deals
- USD 8.769 bn

# Who is the EBS API trading customer?



- **Banks**
  - Risk management and/or portal flow
  - Aggregation (manual trading via aggregated front end)
  - Currency support (non-majors)
  - High frequency and/or proprietary trading
- **Professional Trading Community (PTCs)**
  - Hedge funds, CTAs: always trade in the name of EBS Prime bank
  - Basis trading – cash vs futures
  - Short-term trading – profit from the spread
  - Momentum trades – seeking longer-term intraday market moves
  - Cross-asset class trading – sophisticated Ai models
  - Events/news-driven trading – used in times of highest liquidity

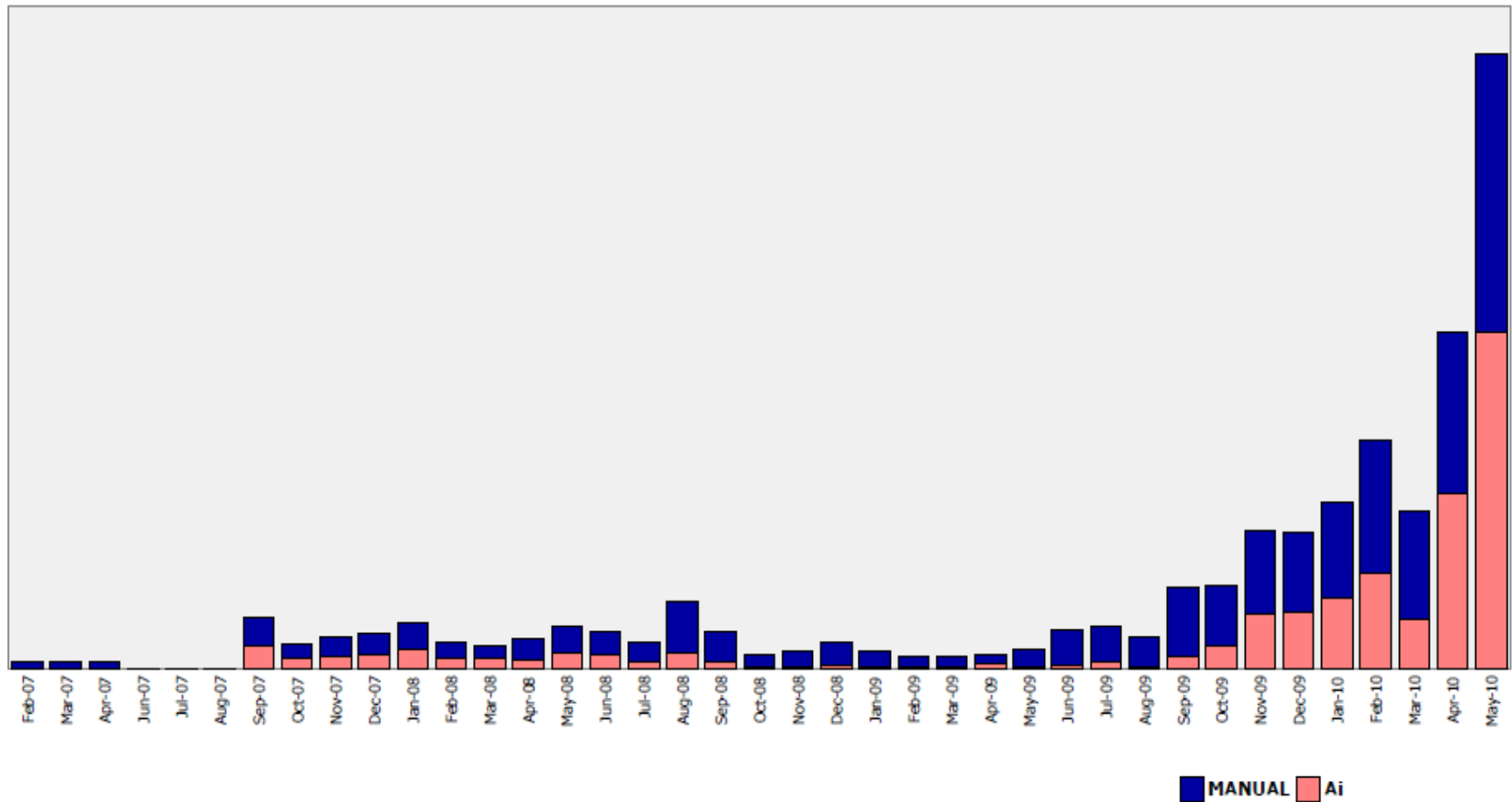
# API % of EBS ADV (banks and PTCs)



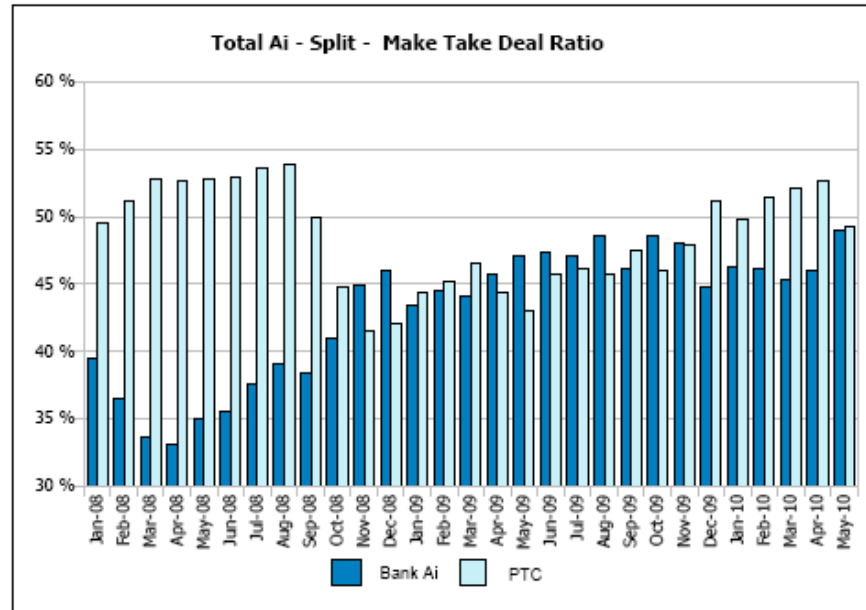
- May 2010 ADV: \$215 billion (single count)
- API % of EBS ADV ~ 55% – April 2010



# USD/RUB – manual/API % split – May 2010



# Make % ratios – April 2010



% Volume on EBS – April 2010		
Bank Manual	Bank Ai	PTC
44%	18%	38%

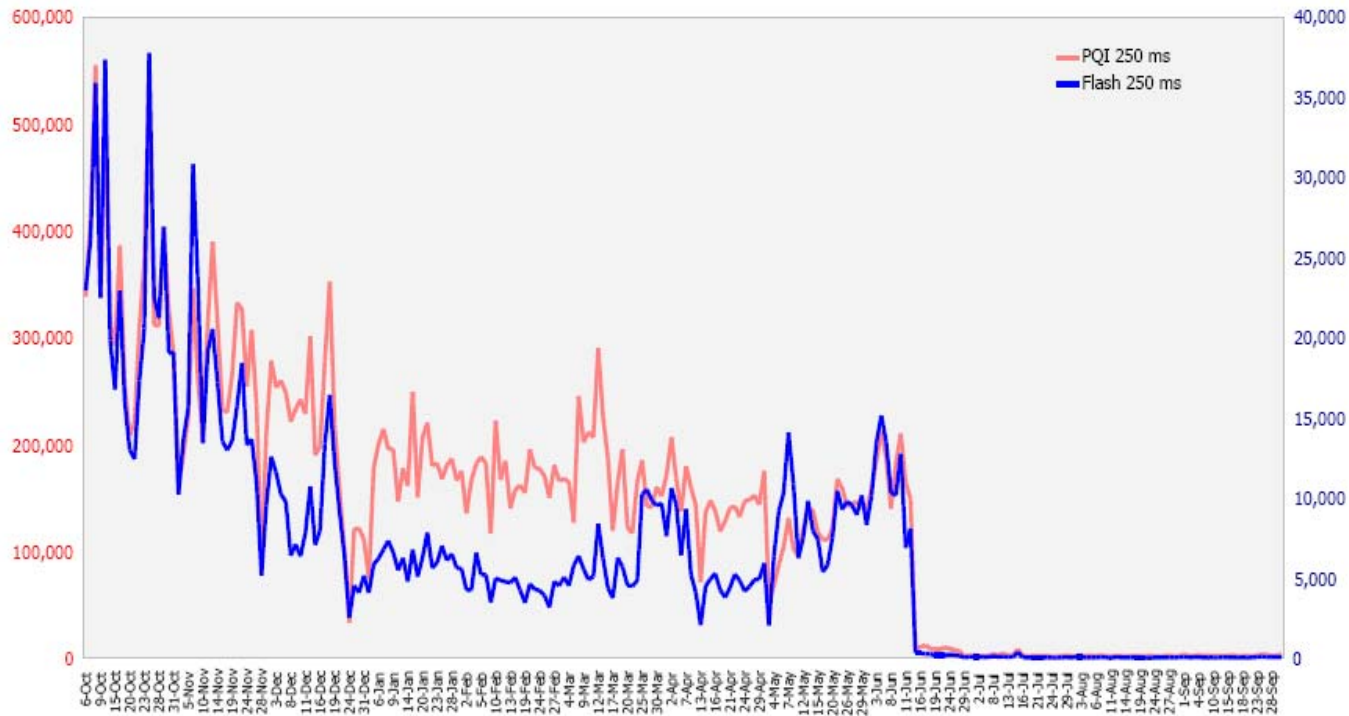
- Objective: improved trading opportunities and execution for all EBS market participants
- Actions taken:
  - Deal times
  - MQL 250 ms
  - EBS Live price distribution interval – 100 ms
  - Fill ratio requirements and monitoring
  - New tools and order types for EBS manual traders

- Bank API Advisory Board
- PTC Advisory Board
- Growth Markets
- Product development requirements gathering
- Product pilot involvement and feedback
- Annual EBS Customer Satisfaction Survey
- Monthly 'EBS Updates' multi-channel communication
- Ongoing consultation and collaboration

# 'Flashing' in majors eliminated



## MQL 250 ms implemented 15 June 2009



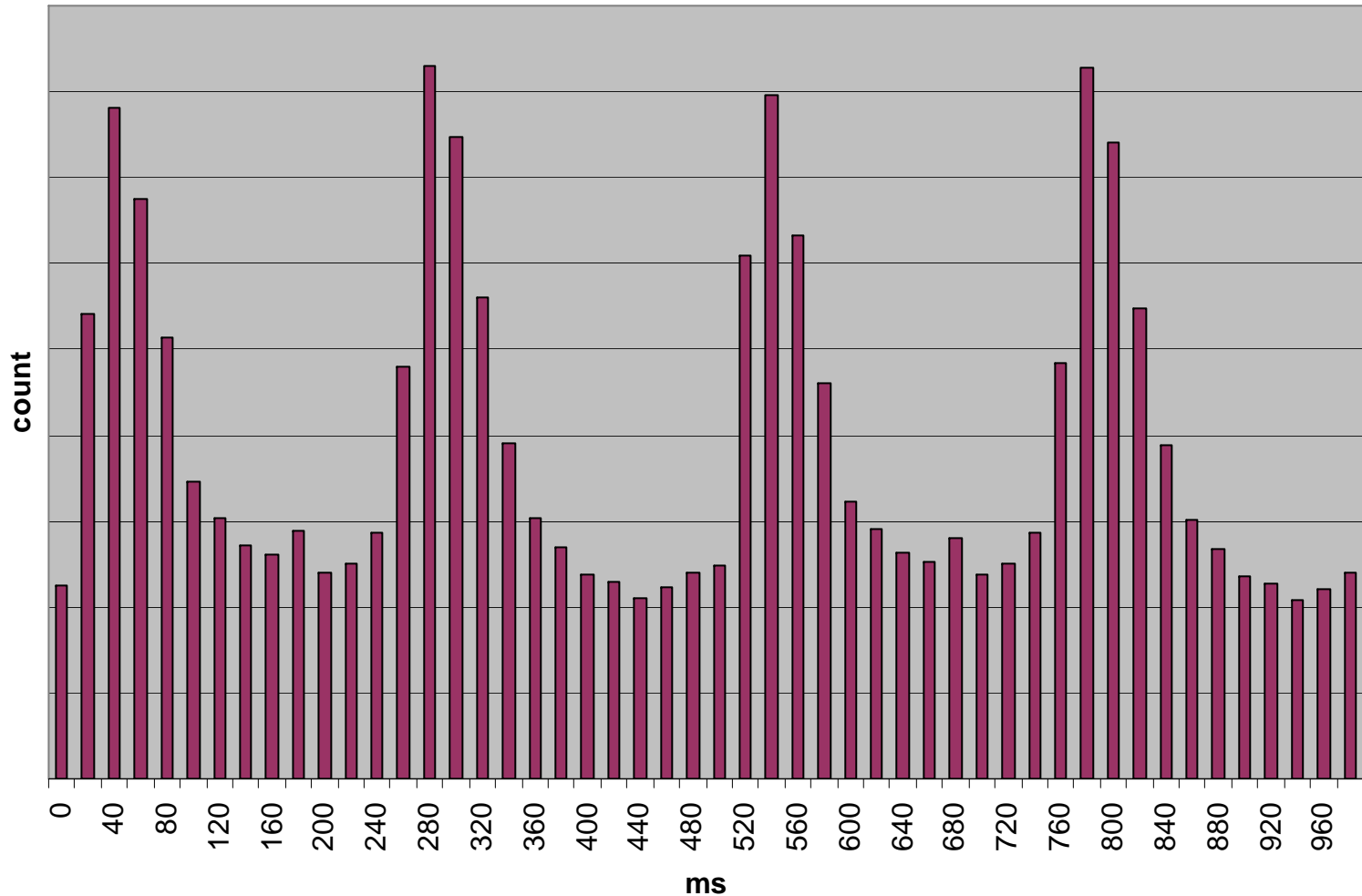
May 2009: after consulting with a wide group of market participants, agreed to implement MQL in Majors:

- MQL (“minimum quote lifespan”): minimum duration each quote (bid/offer) must reside in the book
- Flash = quote which improves best price, interrupted in <250 ms without having been dealt or joined
- PQL (“premature quote interrupt”): quote interruption in < 250 ms without being dealt

# Impact of Ai reaction (Quote Interrupt Distribution) to EBS Live updates – 250ms



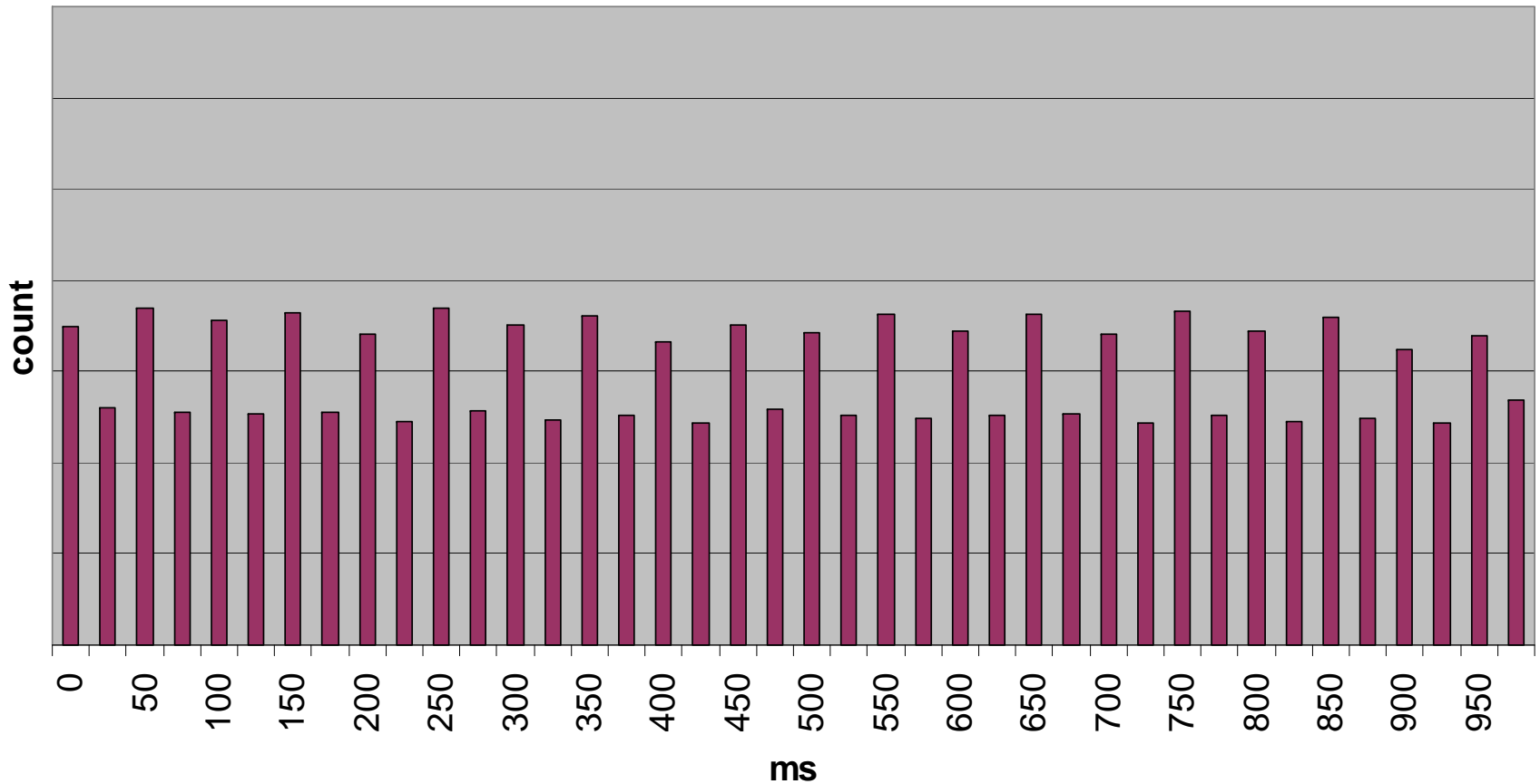
Ai Quote Interrupt Distribution - 250ms EBS Live



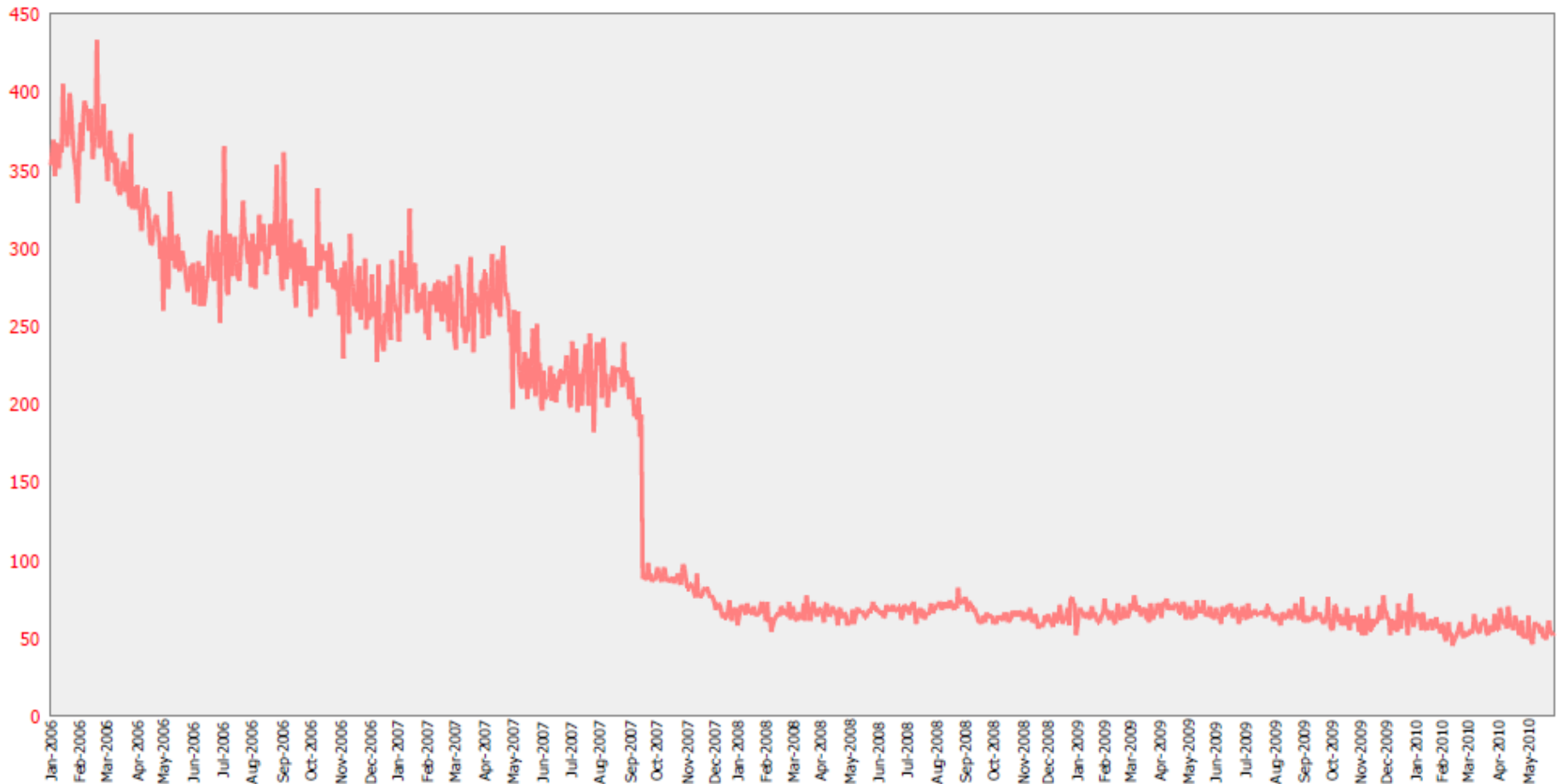
# Impact of Ai reaction (Quote Interrupt Distribution) to EBS Live updates – 100ms



## Ai Quote Interrupt Distribution - 100ms EBS Live



# EBS global average deal times



- May 2010 – EBS global average deal time: 54 ms
- Fast deal times are critical for API customers



# New tools for EBS manual traders



- Objective: Improved execution for manual traders
- Actions:
  - Introduction of new order types and other features
    - Pip discretion
    - Loop orders
    - 1-Click
    - SWAT
  - Ongoing product development – a consultative approach

The screenshot shows a transaction panel for a USD/JPY loop order. It consists of three rows. The top row is a BID order with 2 of 5 loops completed, a volume of 75, and a price of 98. The middle row is an OFFER order with 0 of 2 loops completed, a volume of 85, and a price of 98. The bottom row is a summary bar with an 'Off' button, an 'Amend' button, and text indicating 'Loop: 1 of 3 (Partial)' and 'Net Pos: 2'. A blue bracket on the right side of the first two rows is labeled 'Partial: both legs active'. Below the summary bar, three blue arrows point to the text: '# of Loops Completed' (pointing to '1 of 3'), 'Loop Type' (pointing to '(Partial)'), and 'Net Position' (pointing to '2').

EBS loop order transaction panel

The screenshot shows the pip discretion settings for a USD/CHF order. A green box highlights the 'Pip Range + 0000' field. Below it, two green arrows point to the '10' and '10' values in the 'Discretionary Total Amount' field. A dropdown menu on the right is open, showing options: 'Standard', 'Loop Order', and 'Hide Pip Discretion'. The 'Hide Pip Discretion' option is highlighted by a mouse cursor.

Pip discretion on EBS

# Maintaining an orderly market



- EBS is trusted to provide a global market of natural interest
  - We take this responsibility seriously
  - EBS platform features and business rules are designed to support these values
- No ‘last look’
- No ‘pay to move up the stack’
- EBS Dealing Rules apply to all market participants
- Consistent pricing policies



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