API Trading on the EBS Platform

Presentation to the European Central Bank
24 June 2010

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ICAP Electronic Broking
Agenda

- 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 Spot launched by 12 banks
- EBS volume reaches USD 25 billion
- Alliance with Minex formed
- EBS Ticker offered via market data vendors
- EBS precious metals launched
- EBS Live launched, EBS Spot Ai pilot (banks)
- EBS volume reaches USD 120 billion
- Daily volumes exceed USD 120 billion
- EBS Spot Ai launched (banks and PCIs)
- EBS volume reaches USD 259 billion
- New record trading day of USD 454 billion
- ICAP, partner Traiana launch NetLink
- Asian NDFs launched on EBS
- EBS Global Access launched
- ICAP and CLS joint venture announced
- BRL fixed date NDFs launched
- Record no. of deals on EBS (254,619 on 6 May)

- May ’93
- Jan ’99
- July ’00
- Mar ’04
- May ’05
- Aug ’07
- Mar ’08
- Dec ’09
- May ’10
EBS volumes – Jan 1996 to May 2010

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
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
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

<table>
<thead>
<tr>
<th>Bank Manual</th>
<th>Bank Ai</th>
<th>PTC</th>
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<tr>
<td>44%</td>
<td>18%</td>
<td>38%</td>
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Managing API trading growth

• 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
Customer engagement and feedback

- 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
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
- PQI ("premature quote interrupt"): quote interruption in < 250 ms without being dealt
Impact of Ai reaction (Quote Interrupt Distribution) to EBS Live updates – 250ms
Impact of AI reaction (Quote Interrupt Distribution) to EBS Live updates – 100ms

Ai Quote Interrupt Distribution - 100ms EBS Live

ms

count
• 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

EBS loop order transaction panel

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