



Foreign Exchange  
trading has entered  
a new age.

FX Trading.  
Answers, advanced.

ACI Romania Annual Meeting,  
19. January 2017

The intelligence, technology and human expertise  
you need to find trusted answers.



the answer company™  
**THOMSON REUTERS®**

# THOMSON REUTERS AT THE ACI BUCHAREST.

Thomas Heberer

Market Development FX

Europe EAST DACH & CEE

*“FX in the Year  
Before MIFID2”*

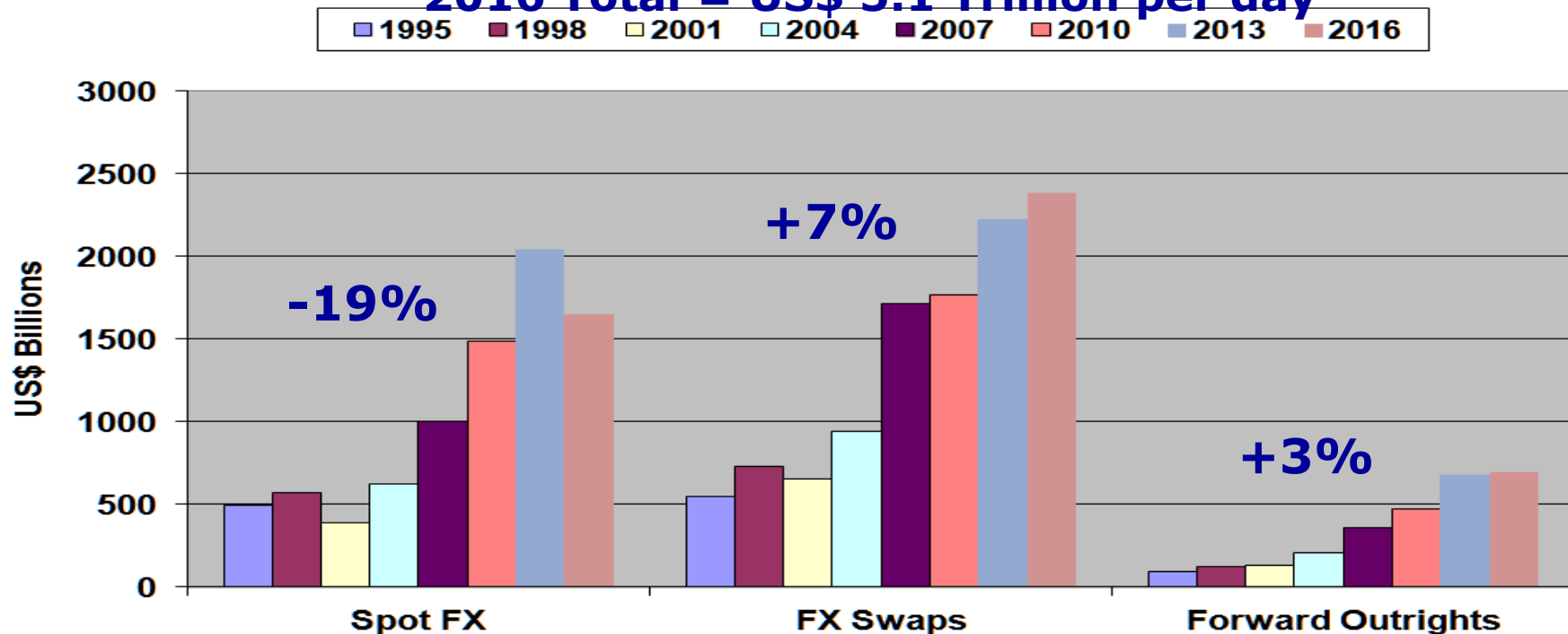




# OTC FX Volumes – Spot Declines from 2013 to 2016

Global Daily Averages

**2016 Total = US\$ 5.1 Trillion per day**



OTC FX Turnover - Source: BIS

**Overall Drop from 2013 to 2016 = -5%**

# PLATFORM MARKET SHARE PUBLISHED RESULTS

## EUROMONEY SURVEY 2016

...

Multi-bank and independent platform market share			
2016	2015	Bank	Market share
1	1	Thomson Reuters (FXall – Dealing – FX Trading)	31.56%
2	2	FX Connect	19.38%
3	5	HotspotFXi	18.56%
4	4	Bloomberg	13.92%
5	3	360 Treasury Systems	7.94%
6	7	Currenex	4.34%
7	12	Gain GTX	1.69%
8	13	Chicago Mercantile Exchange (CME)	1.02%
9	8	Integral – FX Inside	1.01%
10		LavaFX	0.42%



# MiFID II Post Trade Transparency – Who is in?

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom, Iceland, Norway and Liechtenstein.





## MiFID II

Investor Protection

Best Execution

Micro Structure

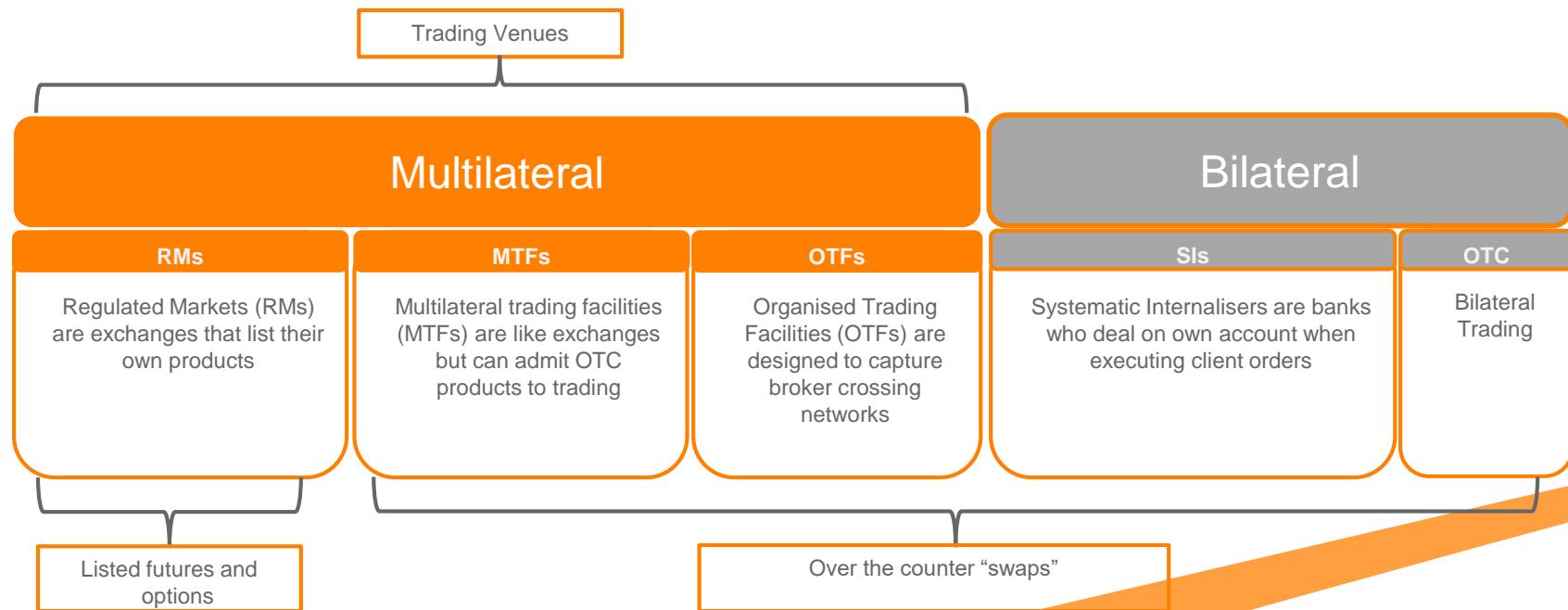
Transparency

Market Structure

Research Unbundling

# Context: Changing Market Structure for Trading

Changing market structure for trading will present challenges for market participants, but also opportunities for new trading strategies



# How Will The Thomson Reuters Liquidity Pools be Structured?

Thomson Reuters will operate one MTF with several different segments, each providing different trading protocols, instruments and participants. This will be in addition to multiple other liquidity pools:

## TR SEF

**Platforms:** FXall Quick Trade & Order Book

**Instruments:** FX NDFs, FX options, Swap NDFs

**Available to:** US Persons and Voluntary SEF members

## TR MTF

**Platforms:**

Forwards Matching, FXall Quick Trade, FXall Price Stream

**Instruments:**

FX swaps, NDFs, forwards, money markets, FX options

**Available to:**

All clients (NOT US persons for NDFs or options)

## TR Spot Venue

**Platforms:** Spot Matching, Price Stream, Order Book, Quick Trade

**Instruments:** Spot FX and Spot Metals

**Available to:** All clients





# New Pre-Trade Risk Controls

TR is building a new engine to manage pre-trade controls on the MTF to control for “fat-finger” errors.. and prevent disorderly markets

TR will build four new controls on the MTF: price controls, order size controls, order throttling and circuit breakers

TR also already has kill switch functionality

The new price and size controls can help participants meet their own obligations as well because –

- These controls will be configurable according to the following hierarchy:
  1. Venue settings (set by the MTF)
  2. Entity settings (set by the risk officer)
  3. Desk settings (set by the risk officer)
  4. Trade/user settings (set by the risk officer or the trader)
- For the avoidance of doubt, the settings lower in the hierarchy can never exceed the level above – so for example the entity at 2 could never set an order size limit that was larger than the limit set by the venue

Other non-MiFID risk controls will include max tenor thresholds, timestamp checks and max trading limits



# TR Supports our clients with Mifid2 Implementation

Thomson Reuters experience as operator of FX MTF (TR Matching), will upgrade the existing platforms to comply with MiFID 2

- **Meet new trade reporting and transaction reporting requirements**

- The MTF will trade report for you
- The MTF will transaction report for “non-MiFID” firms

- **FX Trading version supporting MiFID II**

- Onboarding activity of MTF participants
- No new contracts/addendum required
- New fields introduced to capture additional data

- **FX Trading GUI new fields** added to capture more information in Trade initiation stage

- Securities Financing Trades
- Trading Capacity (Principal / Agent)
- NPFT, Non Price Forming Trades
- Liquidity Pool (MTF-Off MTF)



- **Post Trade STP feeds**

- Existing TOF, RET/ET LBN-API and new FIX enhancement
- Several new fields for reporting and recordkeeping obligations (ISIN, trade flags, Timestamps)
- Multiple formats to minimize IT cost



THOMSON REUTERS

# MARKET STRUCTURE: REFERENCE DATA

## Transparency instrument data

- Identify appropriate treatment within transparency obligations:
  - Liquidity indicators, LIS & SSTI Thresholds for waivers and deferrals
  - NCA Non Standard Deferrals and Temporary Waivers
  - MiFID Traded on Trading Venue universe
  - MiFID Asset Class Taxonomy (Asset Class, Sub Class, Bond Type, Sub-Asset Class)

## SI Determination Reference Data

- Reference Data fields to support SI Determination and SI Relationships
  - Quarterly 'Official' Market Volumes and Total Transactions required for SI Determination
  - Parent and ultimate parent Issuer relationship
  - Who is Systematic Internaliser relationship

## Reference Data Reporting

- Instrument Reference data fields required to be reported to regulator by Trading Venues
  - RTS 23 Data Fields
  - RTS 2 Data Fields
  - Support market standard derivative symbology (ISIN) as defined by ANNA DSB

## Investor Protection

- Reference data field to define particular instrument types for investor protection
  - Complex/Non Complex Instruments
  - PRIIPS - Target Market for collective investments



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# FX End to end.

## Customer Checklist:

- ✓ On-boarding/ KYC
- ✓ Pricing Engine
- ✓ Trading & client GUI
- ✓ Order management
- ✓ Hedging API)
- ✓ Liquidity venue
- ✓ Smart order routing
- ✓ Market Data
- ✓ Pre & Post-trade regulatory reporting
- ✓ Mid-price publication
- ✓ TCA benchmarking & reporting
- ✓ Post trade/ clearing/ settlement
- ✓ Trade Surveillance/ Market abuse

## Liquidity/ Data Channels

### FX Trading

- Matching
- Fxall Orderbook
- Fxall Midbook
- Fxall Quick Trade
- Fxall Pricestream
- 3<sup>rd</sup> Party venues

### Market Data

- Primary Market (non-last look) Data
- Low latency
- Secondary & less liquid markets
- Tick data

Connectivity

## Aggregation

- Smart Order Routing server
- Market Execution server

## Order Mgmt & Hedging

- Principal or Agency
- Splitting up cross currencies
- Order Handling (Limits/ Netting/ Allocations)

## Client Pricing

- Negotiating & transacting servers
- Credit check

Connectivity

## Distribution Channels

White label

Eikon/ FXall

3<sup>rd</sup> Party MBPs

On-boarding/ KYC & AML/ Credit Mgmt

Market abuse/ Trade surveillance

TCA/ Execution quality

Post Trade: Notification/ Affirmation/ Settlement/ Archiving

Pre/ Post trade regulatory reporting



# FXT Electronic Trading: e-FX Distribution & Risk auto-hedging

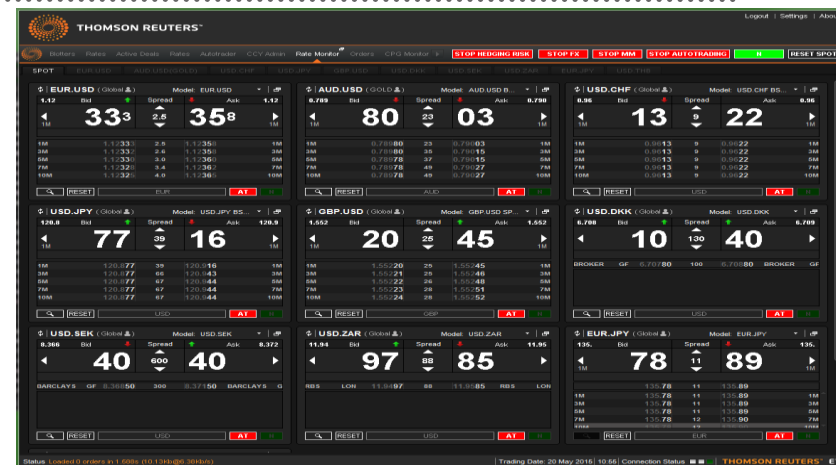


PROVEN SCALABILITY: MULTI-\$BIO/DAY

UPGRADE OPTIONS

AUTO-HEDGING

MULTI-BANK



ORDER MANAGEMENT SYSTEM

OPEN INTERFACES

PRICE-MAKING

HOSTING

... "Effective management of client flows through e-commerce solutions covering price making, price distribution, liquidity connectivity, auto-hedging and aggregation" ...

# Eikon FXT: Improved Workflow through pre-trade intelligence



Valuable insight through Thomson Reuters Eikon empowers user trading strategies and decisions

- Market News & FX Buzz
- FX Polls
- Market Activity & Heatmaps
- Performance analytics
- Charting
- Real Time & Historical Market Data
- Indicative Price Curve (Spot, Swaps, NDFs, Options)
- Deposits, Forwards & Options Calculators

# BEST EXECUTION: CHALLENGE & SOLUTION

## CHALLENGE

### Best Execution Reporting

Best Ex Reporting requires Execution Venues (RM's, MTF's, Market Makers, OTF's, SI's) to publish execution reports and the Buyside to publish investment reports that detail where a firm trades

### Best Execution Monitoring

MiFID II has increased the scrutiny on execution quality with an amplified focus on non-equity instruments. Firms are looking to use traditional Equity based tools such as TCA to examine trader and execution performance in a cross asset context

### Best Execution Controls

Firms need to monitor execution policy and address any possible breaches that may occur during electronic or voice trading platforms

## THOMSON REUTERS SOLUTION

### Buy Side

RTS 28: Investment Firms

### Sell Side

RTS 27: Execution Venues  
RTS 28: Investment Firms

### Execution Venue

RTS 27: Execution Venues

### Velocity Analytics Best Execution Monitoring

- Cross-Asset
- Regulatory imperative
- Broker Neutral
- Benchmarks
- Evaluated Pricing

### Velocity Analytics Best Execution Controls

- Policy effectiveness
- Policy review
- Calibration
- Alerts
- Case Management
- Archiving

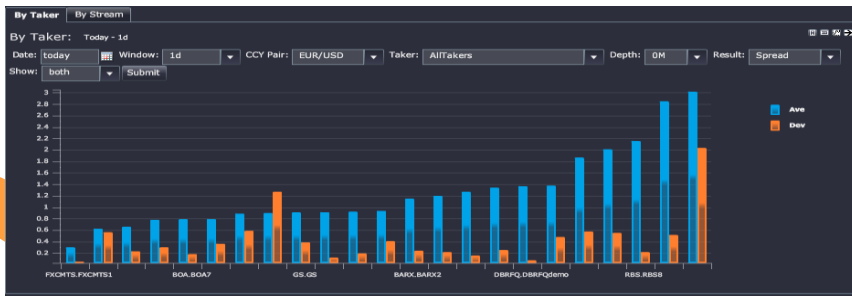


# FX Pre-Trade Data – Market Quotes

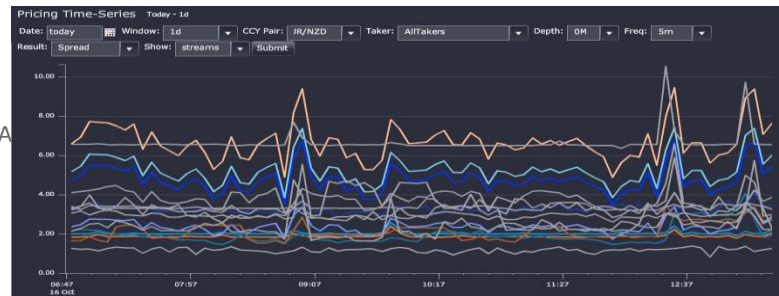


Dashboard showing the consistency of spreads from a liquidity provider

- ☐ Historical comparative spreads
- ☐ Average Spreads
- ☐ Spreads by Time (percentage of time at each unique spread level)
- ☐ Spreads by amount
- ☐ Spread Time series (Ability to select multiple streams for comparison)
- ☐ Bid/Offer Time Series
- ☐ Spread Ranking
- ☐ Quote duration / refresh rates
- ☐ Leaders and followers of price moves



Dashboard showing quality and consistency of spreads from all LPs, EUR/USD

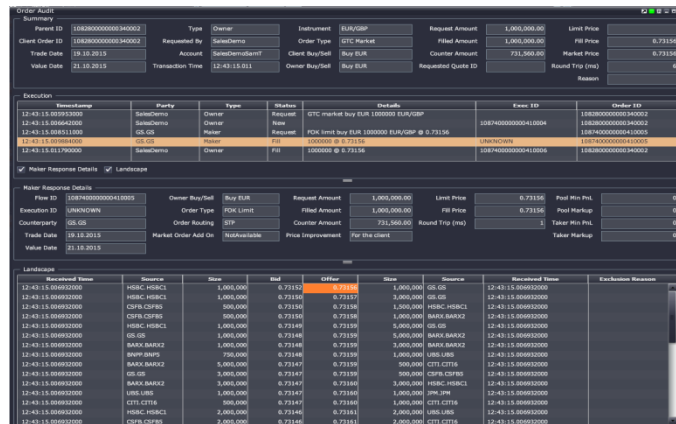


Dashboard showing historical relative spreads from all LPs



LP	Volume (USD) (Millions)	Avg. Response Time (ms)
1	460	250
2	330	180
3	210	150
4	200	250
5	160	100
6	160	50
7	140	80
8	150	250
9	120	100
10	130	300

- ❑ Full execution transparency - clear audit of every trade to show execution at best price available
- ❑ Display market prices before, at and after trade execution
- ❑ Monitor LP hold times – and compare to rejections – are you being last-looked?
- ❑ This analysis allows you to address any issues you discover directly with your LPs, to improve your overall execution



**Example of trade snapshot ‘Order Audit’ showing full book of available liquidity available at time of trade**



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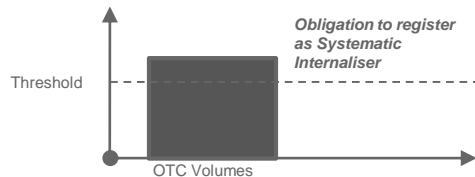
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# TRANSPARENCY: SYSTEMATIC INTERNALISER (SI) DETERMINATION

Firms executing client orders on own account (principal) will need to register as an SI if they breach a quantitative threshold

Analysis done on quarterly basis, based on last 6 months activity. Thresholds are set on the definition of a “frequent, systematic and substantial



## CHALLENGE

The volume requirement calculations to determine SI status require EU wide aggregated “total volume” and “total trade” fields to determine whether they meet SI thresholds

To build this view you need to source **all of the data** across Europe and very few vendors are currently capable of doing this

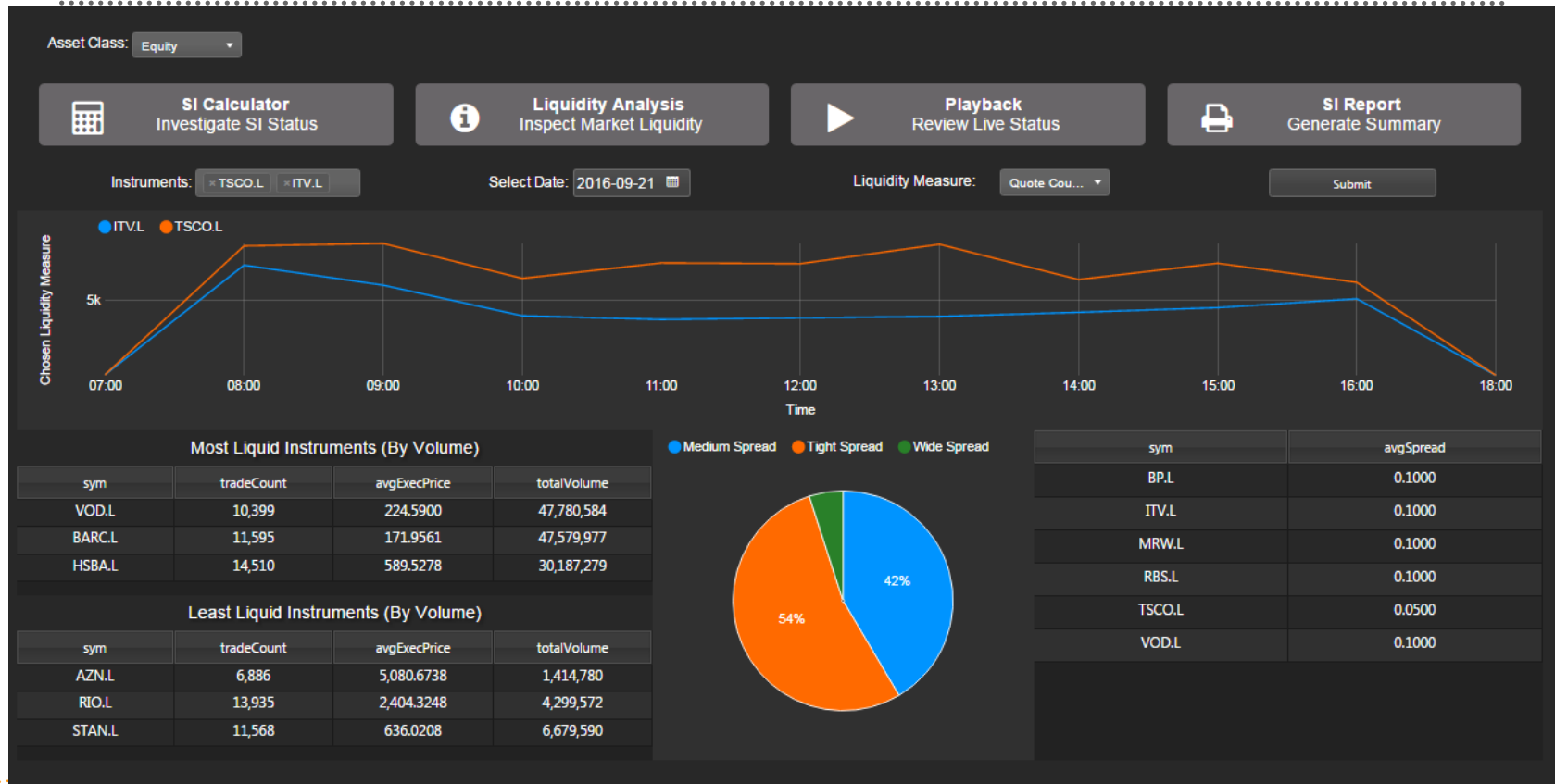
## THOMSON REUTERS SOLUTION

Thomson Reuters will provide three levels of solutions for SI Determination:

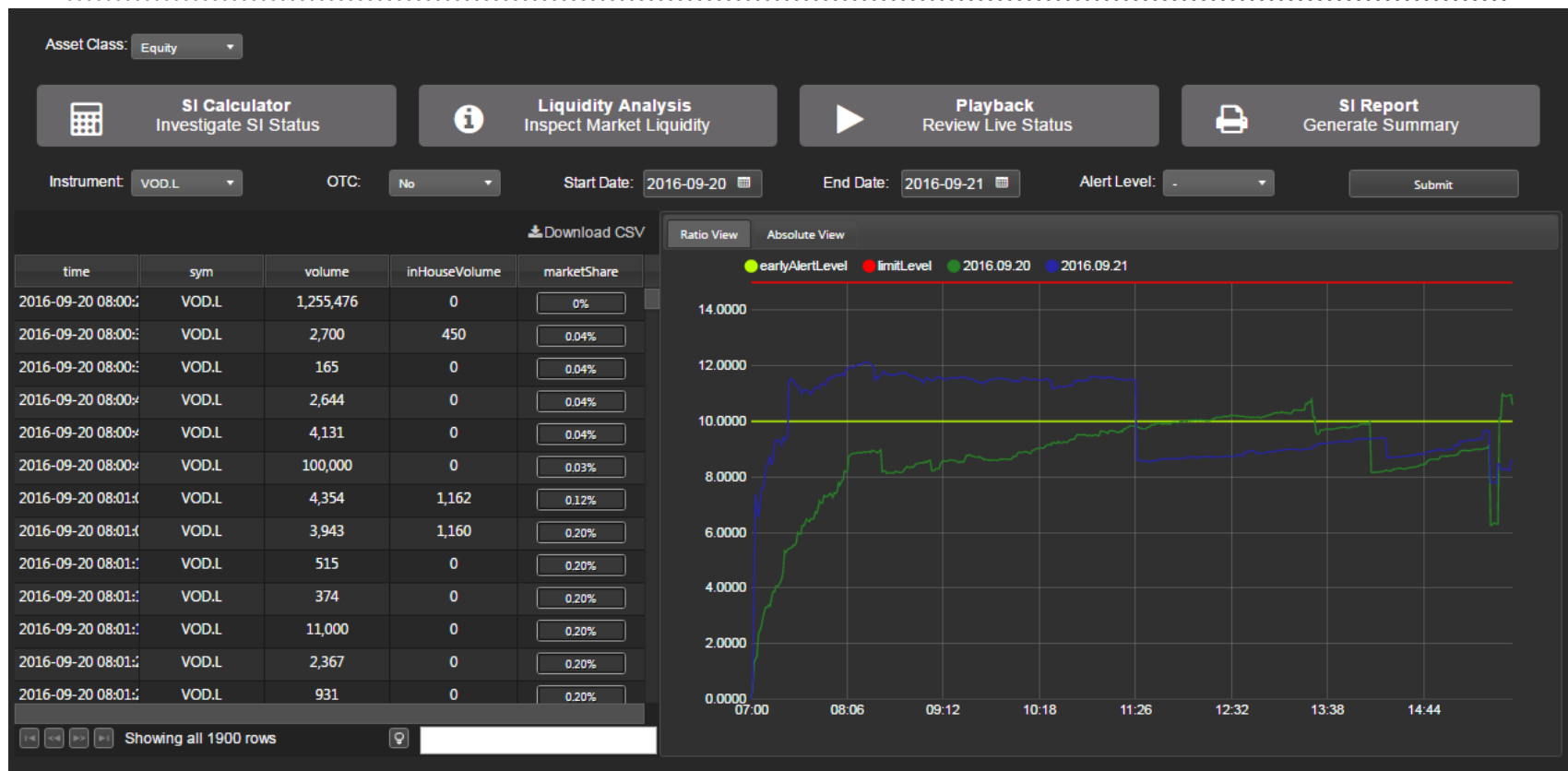
1. All Reference Data fields to support SI Determination available through Elektron and Datascope to enable your own calculations
2. Aggregated data to include all sources throughout Europe to ensure that we can provide an accurate Total Market Volume and Total Number of Transactions
3. Velocity Analytics will provide SI Determination as a service



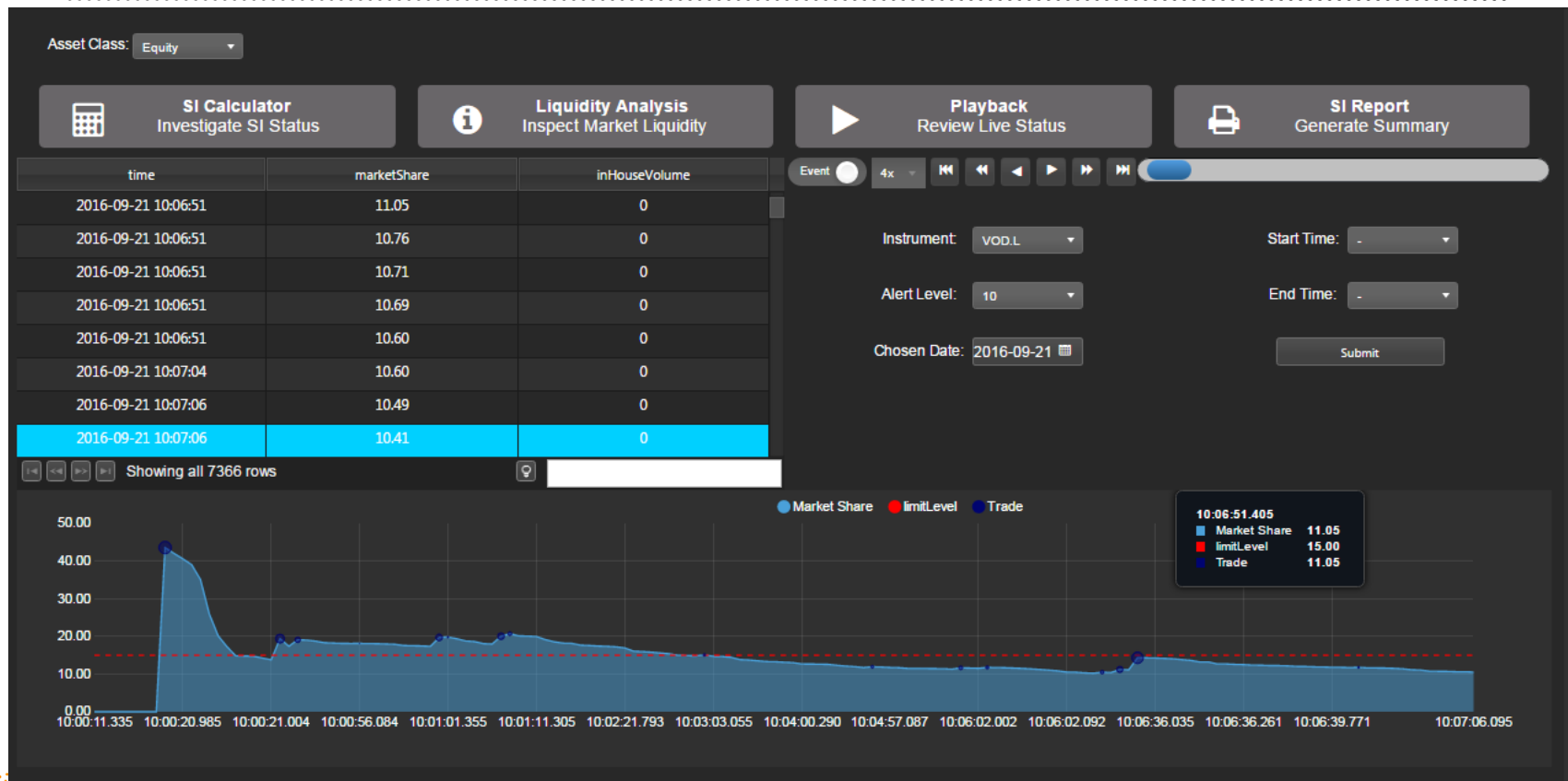
# Systematic Internaliser – Liquidity Analysis



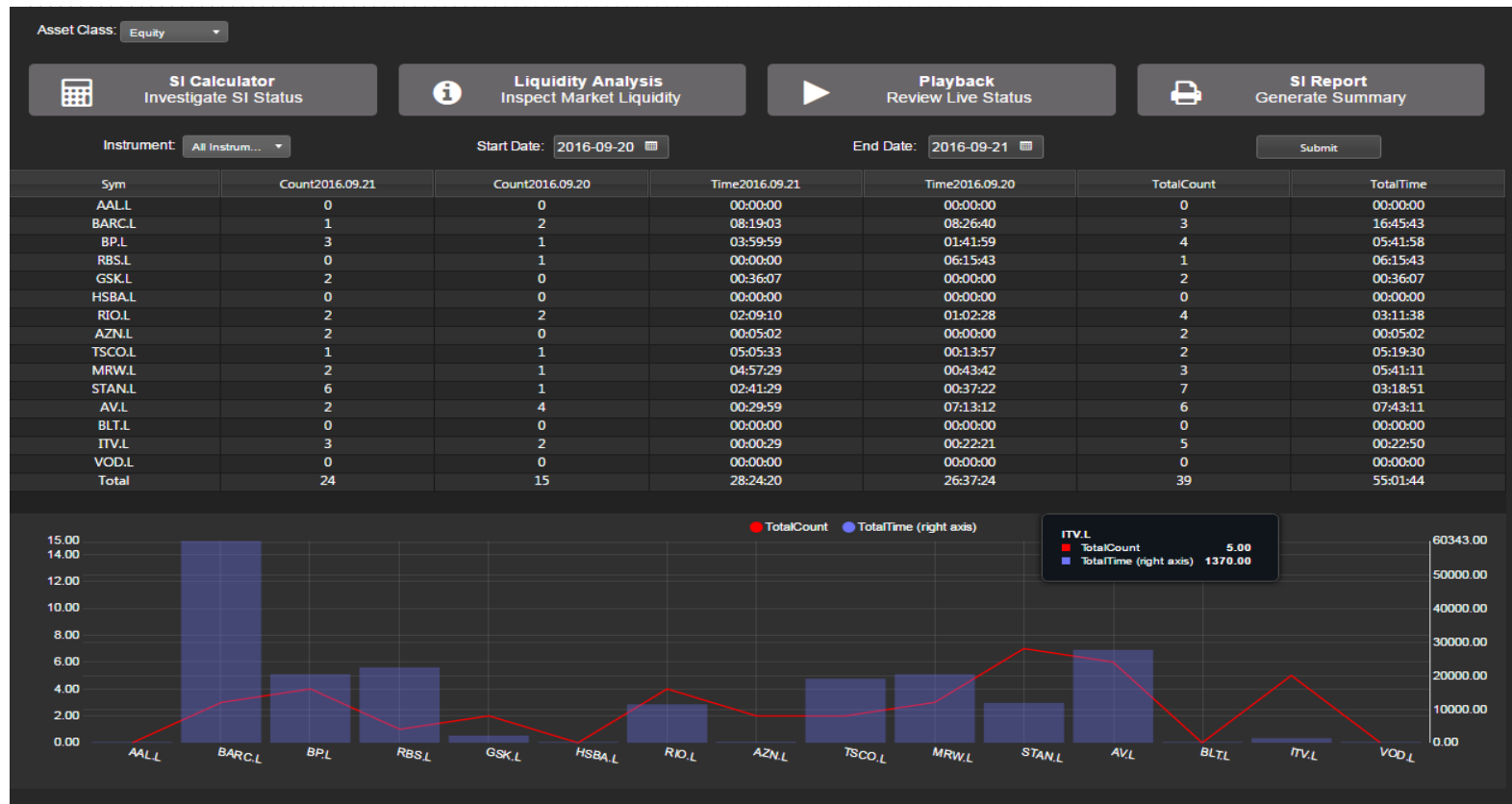
# Systematic Internaliser – SI Calculator



# Systematic Internaliser - Playback



# Systematic Internaliser – SI Report





# MiFID II: Challenges and opportunities

The MiFID II impact across the entire financial spectrum

This site is designed to help you better understand the transformative effect of MiFID II on your firm.

It will identify the key challenges you face, the impact they will have and the solutions we can deliver, not just for passive adoption, but for leveraging a robust compliance strategy that can give you a competitive edge.

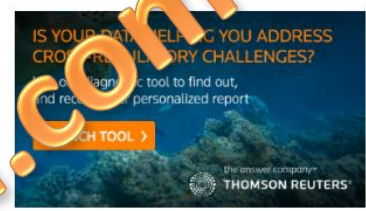
"MiFID II will command significant changes in business and operating models, systems, data, people and processes. Thomson Reuters has the content, the technology and the expertise to help you meet this challenge."

## Regulatory compliance as a competitive advantage?

MiFID II compliance is not optional. But the partners you choose and solutions you use can give you an advantage. Since the adoption of MiFID I in 2007 (and long before) Thomson Reuters has been a market leader in providing expertise, guidance and solutions to financial firms so they not only comply, but do so in a way that is streamlined, efficient and integrated.

Many of the MiFID II requirements around transparency, reporting, access to liquidity

## Find out more



### Risk and regulatory data solutions

Simplify the process of compliance.



### MiFID II - preparing for fundamental change

A quick overview of MiFID II and its impact.



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