



FX algos no longer just for big players

LONDON – Gaining an edge in foreign exchange execution through trading algorithms is no longer the domain of just the largest forex dealers, according to a panel at the *FX Week Europe* congress last week.

Steve Toland, head of FX sales, EMEA, at interdealer broker Icap, said small banks in places such as Latvia or Russia are also showing increasing preparedness to trade algorithmically.

He said take-up has been so significant that 35% of average daily volumes at Icap is traded algorithmically, up from 14-15% 18 months ago. This represents over 100 customers split equally between banks and hedge funds.

“Large organisations want to prove what they’ve got while the small ones are getting in on this for the first time, but one thing which is consistent is the appetite,” added Ian Green, head of e-FX at Credit Suisse. Users are requiring robust frameworks to be able to plug in their rules, he said.

Many of those who started algo trading



Ian Green, Credit Suisse

in the equities market are also considering including foreign exchange not only as a way to pay for foreign stocks, but also as an asset class, said Green. “People are really looking to get best execution; they can make a lot of money. I expect that to grow,” he said.

Green added that, while Credit Suisse does use cross-asset algorithms on a proprietary basis, it is not looking to externalise these, as was done with FX algorithms earlier this year.

However, Marco Pelizzoli, head of electronic transaction services sales, EMEA, of Bank of America warned that banks looking to offer algorithmic trading to clients will have to invest beyond front-end trading systems. Algo trading places heavier loads on various

systems, which require an evolution in robustness of the underlying infrastructure, he added.

Remote connectivity is also a concern for those firms that provide trading algorithms, added participant Carl Martin, group technology director with FX-trading platform provider Eurobase International. “We’re continuing to invest in more and more equipment to attend particularly weak spots that tend to come

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in to this process,” said Martin.

“We used to offer connectivity within metropolitan environments, but we’ve been seeing more far-reaching clients that want to get involved in this kind of game,” he added. **■ Cecilia Bergamaschi**