

Nex's EBS Markets nets liquidity boost from data



Over the past five to six years, the share of disclosed trading in FX has been steadily on the rise. The uptick in average daily volumes through channels where counterparties know whom they are trading with has eaten into the share of flows handled on public markets such as the two traditional primary price-discovery venues.



Seth Johnson

“From a market structure point of view, FX has been moving towards disclosed channels and the relevance of public markets such as EBS Market seemed to be on the wane. But events in 2017 demonstrated that public markets play a crucial role in pricing risk when markets get volatile,” says Seth Johnson, chief executive officer of Nex Markets.

Nex has been voted Best Broker for Spot FX at the FX Week Best Banks Awards.

Johnson, who was appointed to his current role in October 2016, has taken over the task from previous CEO Gil Mandelzis of bringing the company's FX central limit order book back into the spotlight.

“Over the past 12 months our challenge has been to take steps to ensure the long-term sustainability of public markets, which play a vital role in price discovery during volatile trading periods. They are fundamentally important for foreign exchange markets,” Johnson explains. “For us, the question was: what can we do to arrest the decline of these markets?”

One of the steps taken by the venue was to introduce EBS Live Ultra, its souped-up


market data feed, which increased the frequency of price updates from 100 milliseconds to 5ms.

EBS has introduced criteria for the faster feed, requiring market participants to act as market-makers on the venue at least 40% of the time and to hit a minimum of \$200 million of volumes daily to be eligible to subscribe to the data.

“We have seen an impact from the faster data already. Liquidity is much smoother and even, and we have seen a return of banks as market-makers, as well as increasing participation in currencies that were outside our core currency pairs,” Johnson says.

One of the primary reasons for increasing data frequency to 5ms from 20ms – a stepping-stone between the jump from 100ms to 5ms – is to ensure over-the-counter venues such as EBS Market remain the primary places for price discovery in the future.

Listed markets have increased in prominence in recent years, and with the main futures exchange pumping out data at intervals of 8ms, the jump to 5ms updates was an important step.

“Some liquidity providers have chosen to satisfy the participation criteria by choosing to become more specialist providers, while others have come back to the platform as price-makers across the currency universe. We feel this is a very encouraging sign,” Johnson concludes. 

Eva Szalay