

LMAX Exchange and academic expert unite to advance transparency in FX markets

London, 15 November 2017 – LMAX Exchange, the FCA regulated multilateral trading facility (MTF) for foreign exchange (FX), announces its partnership with a leading academic at the University of Oxford to develop a methodology for consistent evaluation of trading costs across liquidity pools that can be used by the FX industry. This follows LMAX Exchange’s whitepaper – “*TCA and fair execution. The metrics the FX industry must use*”, published in May 2017 – and is a significant milestone in the firm’s call for industry-wide collaboration to agree a common approach to transaction cost analysis (TCA) in FX¹.

Dr. Álvaro Cartea of the University of Oxford’s Mathematical Institute is a leading researcher and published finance expert specialising in high-frequency and algorithmic trading, market quality and financial regulation². Together, LMAX Exchange and Dr. Cartea aim to drive forward the industry’s understanding of FX TCA and produce mathematically robust findings of practical value to benefit all FX market participants.

LMAX Exchange is a long-time advocate for complete transparency on trading costs and execution quality in the FX industry. For the last two years, it has conducted independent data research and led the development of FX TCA methodology to compare trading costs across all types of liquidity prevalent in the FX market, including firm and last look pricing, and which it detailed in its whitepaper.

LMAX Exchange and Dr. Cartea intend their work to be unbiased, a reflective and fair assessment, and to promote further FX industry engagement. To ensure this, Dr. Cartea will conduct independent research, and call on contributions from other market participants and academics.

“There has been very little published research to date in FX and particularly in the fields of Market Structure and Transaction Cost Analysis when compared to more regulated asset classes,” says **Dr. Andrew Phillips, Chief Technology Officer at LMAX Exchange**. “We were delighted to be approached by Dr. Cartea in response to our TCA whitepaper. The mathematical rigour and analysis that Dr. Cartea and his group will bring to the topic presents a unique opportunity for us to support and accelerate the pace of industry understanding of FX TCA.”

Dr. Álvaro Cartea, Mathematical Institute, University of Oxford commented: “Blending advanced mathematical modelling with industry knowledge and data is the most effective way to deliver research with impact. One of our primary objectives is to develop a mathematical model to address issues at the heart of financial market structure.”

David Mercer, Chief Executive of LMAX Exchange commented: “In the recently published responses to the Global Foreign Exchange Committee’s consultation on ‘last look’, the majority of firms advocated for more transparency and disclosure. While the practice of ‘last look’ exists, additional transparency can only be achieved through a standardised approach. Market participants need a common set of metrics to assess execution factors and costs across liquidity types.

“We are very pleased to work with Dr. Cartea with this objective, and to continue to fuel the debate around better market structures and the creation of genuine transparency. Ultimately, this is about helping the industry move towards a position where traders are in control of their trading costs and can set their liquidity strategy accordingly.”

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Notes to Editors

¹ To read LMAX Exchange's TCA whitepaper – “TCA and fair execution. The metrics that the FX industry must use” – please visit <https://www.lmax.com/FX-TCA-Transaction-Cost-Analysis-white-paper.pdf>

² Dr. Álvaro Cartea's biography:

Dr. Álvaro Cartea is a Lecturer in Mathematical Finance at the Mathematical Institute, University of Oxford, an academic member of the Oxford-Man Institute of Quantitative Finance, and academic member of the Oxford-Nie Financial Big Data Laboratory. Before joining Oxford, Dr. Cartea held senior mathematical finance positions at University College London, Universidad Carlos III, Madrid-Spain. He was previously the JP Morgan Lecturer in Financial Mathematics at the University of Oxford. Dr Cartea is co-author of the graduate textbook “Algorithmic and High-Frequency Trading”, Cambridge University Press.

About LMAX Exchange:

Recognised as one of the UK's fastest growing technology firms, LMAX Exchange is the leading MTF for FX, authorised and regulated by the FCA.

LMAX Exchange operates a central limit order book, driven by streaming no 'last look' limit-order liquidity from top tier banks and non-bank financial institutions. Servicing funds, banks, brokerages and asset managers, LMAX Exchange offers an anonymous trading environment and order execution in strict price/time priority, and provides real-time trade analysis tools for monitoring execution quality and calculating trading costs.

Offering a comprehensive range of instruments including spot FX, precious metals, commodities and equity indices, LMAX Exchange operates a global FX exchange infrastructure with matching engines in London, New York and Tokyo.

LMAX Exchange - a unique vision for global FX.

Financial technology awards:

2017 Best FX Trading Venue – (ECN/MTF) – Fund Technology and WSL Awards

2016 Best Trading & Execution Technology – HFM US Technology Awards

2013 Best Overall Testing Project – The European Software Testing Awards

2011 Best Trading System – Financial Sector Technology Awards

2011 Innovative Programming Framework – Oracle Duke's Choice Awards

FX industry awards:

2017, 2016, 2015, 2014, 2013 Best FX Trading Venue – ECN/MTF – Fund Technology & WSL Awards

2016, 2015, 2014, 2013 Best Margin Sector Platform – Profit & Loss Readers' Choice Awards

2014 Best Infrastructure/Technology Initiative – WSL Institutional Trading Awards

2013 Best Execution Venue – Forex Magnates Awards

Business growth awards:

2016, 2015 Winner – Deloitte UK Technology Fast 50

2016, 2015 Winner – Deloitte EMEA 500

2015, 2014, 2013 Fastest Growing Tech Company in the UK – Sunday Times Tech Track 100

2015 Recognised as a Tech City Future Fifty company

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