

## UK'S FASTEST GROWING FINTECH COMPANY SHOWS ROUTE FORWARD FOR \$5.3TN FX MARKET

**London, 19 October 2015:** LMAX Exchange, the leading Multilateral Trading Facility (MTF) for FX and the UK's fastest growing fintech company has today launched a report, [\*Restoring trust in the global FX markets\*](#). The report<sup>1</sup> highlights a worrying lack of awareness among market participants about FX trading practices open to abuse, confirms the need for greater transparency in the industry and makes recommendations for change.

Central to the report is a survey<sup>2</sup> of 450 FX institutional market participants undertaken in the light of the continuing debate about fairness and transparency in FX following the Fair and Effective Markets Review (FEMR) report from UK regulators.

The research found that while 85%, of those who were aware of it, identified 'last look' as the market practice most open to abuse, but that 22% of all the respondents were not aware of the practice.

This lack of awareness about the practice, identified as most open to abuse, as well as overall concern about the lack of transparency in the market (80% of respondents agreed) throw a sharp focus on the required progress of measures to increase transparency in order to maintain a sustainable and trusted FX market.

While there was consensus among the respondents about the preference to trade on no 'last look' prices (73% agreed), there was a striking contrast in views between banks (45%) vs non-banks (85% of proprietary trading firms) as to whether 'last look' should be abolished.

As an MTF, LMAX Exchange operates an open order book with no 'last look' liquidity supplied by the 30 largest global banks and world's leading non-bank financial institutions.

In LMAX Exchange's view, this demonstrates that liquidity providers are comfortable pricing with no 'last look' on multi-dealer platforms and that 'last look' is out of date and unnecessary.

In addition to the survey, the report points the way forward to an implementation phase and outlines industry changes that mitigate against vulnerabilities in FX and set new standards for good market practice both in the UK and globally.

The report has three key recommendations for the market as it embarks on the implementation phase of the debate<sup>3</sup>:

1. Changes to FX market regulation must have preservation of liquidity at their heart to sustain a healthy FX eco-system
2. Adoption of modern technology for accurate measurement of market analytics will lead to greater transparency without impacting liquidity
3. International regulators must work in collaboration to drive consistency of reforms globally to maintain trust and efficiency in the FX market

David Mercer, CEO of LMAX Exchange, comments, "Liquidity is the beating heart of the global FX market, the world's largest asset class. Greater demand for transparency and the need to increase trust are huge challenges for the future of our industry. There has been a lot of talk about structural change to address these challenges in the past two years but I think as a market we need to get on with it."

“While in the short term opaque trading practices can deliver greater profitability for market participants, in the long term the erosion of trust will permanently damage international capital flows - considering FX is the foundation upon which international trade is built, this could be catastrophic globally.”

“Our report shows that the FX industry needs to embrace greater transparency and fairer practices in order to restore trust and drive greater long-term profitability. As a result, the FICC Markets Standards Board (FMSB) presents a unique opportunity for the FX industry to come together and implement solutions that work for all market participants. If the market doesn’t get together to implement change and continue to be self-regulating then the regulators are going to impose rules that won’t work in FX. It stands for us to start making changes and forge a new global standard.”

**LMAX Exchange *Restoring trust in the global FX markets* survey findings:**

**Need for increased transparency in FX**

Respondents by Segment	% Agreed
All	80%
<i>Banks</i>	51%
<i>Non-banks</i>	87%

**FX practices open to abuse**

FX Practices	% Agreed
Use of 'last look'	85%
Inconsistent timestamping	83%
Relationship pricing	77%
Bi-lateral trading	69%

**Level of market awareness of 'last look'**

Respondents by Segment	% Aware
All	78%

**Preference to trade on no 'last look' prices**

Respondents by Segment	% Prefer
All	73%
<i>Proprietary traders</i>	87%
<i>Banks</i>	78%
<i>Funds</i>	67%
<i>Brokers</i>	65%
<i>Asset Managers</i>	56%

### 'Last look' should be abolished

Respondents by Segment	% Agreed
All	65%
<i>Proprietary traders</i>	85%
<i>Financial Institutions</i>	65%
<i>Funds</i>	62%
<i>Asset managers</i>	56%
<i>Brokers</i>	47%
<i>Banks</i>	45%

**Note:** not all the questions were answered by all the respondents, as a result the categories of listed respondents differ from question to question and the survey results for each question only reflect views of the participants who answered the specific question.

– ENDS –

<sup>1</sup> [www.lmax.com/restoring-trust](http://www.lmax.com/restoring-trust)

<sup>2</sup> Survey of 450 market participants conducted by LMAX Exchange in August 2015

<sup>3</sup> LMAX Exchange *Restoring trust in the global FX markets* recommendations:

1. Changes to FX market regulation must have preservation of liquidity at their heart to sustain a healthy FX eco-system:

A balance needs to be struck between increasing transparency of execution for end-users and protecting liquidity. Customers must adapt their expectations of artificially narrow spreads and accept that higher fees are a price that must be paid for transparency.

2. Adoption of modern technology for accurate measurement of market analytics will lead to greater transparency without impacting liquidity:

To create a fair, level playing field for all market participants, they must be equipped with the means to measure and assess trading activity accurately. Ultra-low latency technology and real-time market monitoring are two examples of technology innovations that could transform the market.

3. International regulators must work in collaboration to drive consistency of reforms globally to maintain trust and efficiency in the FX market:

For a global market, there has historically been too little collaboration among regulators. As upcoming reforms are considered, this must change if regulatory arbitrage is to be avoided and the challenge of extraterritoriality diverted.

## Notes to Editors

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### About LMAX Exchange:

Recognised amongst the UK's fastest growing technology firms in the UK for three consecutive years (2015, 2014 and 2013 Sunday Times, Tech Track 100), LMAX Exchange is the leading MTF for FX, authorised and regulated by the FCA. Servicing retail brokers, funds, corporates, asset managers and banks, LMAX Exchange delivers a unique vision for global FX trading - a transparent, neutral, level playing field for all market participants, regardless of status, size or activity levels.

The LMAX Exchange OPEN order book is driven by streaming, no 'last look' limit orders supplied by General Member liquidity providers. LMAX Exchange offers a range of key products, including spot FX, precious metals, commodities and equity indices, with complete pre and post-trade transparency and exchange quality execution, where orders are executed in strict price/time priority at an average speed of 4ms.

LMAX Exchange – the emerging benchmark for global FX.

### Awards:

#### **#1 Fastest Growing Tech Company in the UK – 2014 Sunday Times Tech Track 100**

2015 #6 Fastest Growing Tech Company in the UK - Sunday Times Tech Track 100  
2015 Best Margin Sector Platform - Profit & Loss Readers' Choice Awards  
2015 Best FX Trading Venue - ECN/MTF - WSL Institutional Trading Awards  
2014 Best Margin Sector Platform - Profit & Loss Readers' Choice Awards  
2014 Best FX Trading Venue - ECN/MTF - WSL Institutional Trading Awards  
2014 Best Infrastructure/Technology Initiative - WSL Institutional Trading Awards  
2013 #15 Fastest Growing Tech Company in the UK - Sunday Times Tech Track 100  
2013 Best Overall Testing Project - The European Software Testing Awards  
2013 Best Executing Venue - Forex Magnates Awards  
2013 Best Margin Sector Platform - Profit & Loss Readers' Choice Awards  
2013 Best FX Trading Platform - ECN/MTF - WSL Institutional Trading Awards  
2011 Best Trading System - Financial Sector Technology Awards  
2011 Oracle's "Duke's Choice" - Innovative Programming Framework Award

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