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Flextrade beta-tests MilanFX system

NEW YORK – Trading technology vendor Flextrade has started beta-testing its block FX trading platform MilanFX, it told *FX Week*. The vendor becomes the first to roll out a block trading venue for foreign exchange and employ a dark pool of liquidity.

Spot broker EBS and electronic communications network (ECN) LavaFX are considering similar initiatives, as market participants search for ways to offset large positions with minimal market impact.

Flextrade's MilanFX enables users to trade large blocks anonymously under the names of their prime brokers, although self-clearing firms can also participate.

The platform also introduces a dark pool of liquidity to FX, where only a non-tradable midpoint price, or reference price, for the fair market value of a currency pair is displayed.

The reference price is the median of indicative bid and offer prices provided by an undisclosed number of prime brokers. The prices are then run through an algorithm, which uses a median price calculation at a high level to derive the fair market value of a currency pair.

Market conditions are displayed through the reference price and block liquidity range. The block liquidity range is the price range in which a participant may broadcast their own block liquidity on the platform. When a user posts an order through the platform within the block liquidity range, all

users will receive an orange flash indicating that liquidity is present in the range.

"We flash the colour orange indicating that there is block liquidity available in the vicinity of the reference price, and that's the only indication that we provide," said Anand Iyer, co-head of FX at Flextrade in New York.

"It doesn't say whether it is a buyer or seller. It's just telling people that there is a large block available for this currency pair and then you need to jump in to find out."

Iyer said to ensure there are always buyers and sellers in the market, the vendor has targeted a mixed group of participants. "We have enough mixed interest on this platform because we are targeting every conceivable type of desk. So we are ensuring that spot desks trade on this as well," he said.

Indeed, the platform is open to the buy and sell side, and targets an untapped segment of the market, said Iyer.

"Several of our customers have reached out to us, some on the buy side, telling us that they really don't feel confident that when they're trading a large block, information is well contained and there's no leakage," he said. Similarly, banks can use the platform to offset large amounts of



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liquidity in the market against interest out there.

However, some market participants are not convinced that the time is right for this type of platform. A senior official at a major bank in London said: "In terms of the actual fundamental idea of dark pools of

liquidity, I think that's something you're going to see increase within FX. But I am not sure about the idea of starting in such a big size. I think the market will get

there, I'm just not sure it's quite ready for it yet."

Iyer contends that customer interest is what initially prompted the creation of MilanFX. "The market is liquid and expanding ergo we think the timing is right." But as other platforms, such as EBS, look to develop similar features with captive liquidity, competition is emerging. "The market is growing substantially. It's \$2.6 trillion a day and it's going to be \$3.0 trillion. I think there's room under this one roof of FX to accommodate more than one player," said Iyer.

MilanFX is available via FIX API, the vendor's aggregation product FlexFX, or via the web. Iyer said that most clients have indicated a preference for using the web. **Saima Farooqi**

For further details visit www.milanFX.com