NAVIGATING THE FX MARKET:

Why ECNs Offer Greater Transparency and Efficiency

EURONEXT FX

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Accessing the FX market often means navigating a maze of fragmented liquidity, limited transparency, and restricted data availability. But there's a better way. ECNs (electronic communication networks) offer a more flexible, transparent, and efficient solution for buy-side clients looking to optimise their FX execution. By connecting you with a pool of liquidity providers optimised for your needs, ECNs put the control back in your hands and open up new opportunities to maximise returns.

How Can ECNs Improve My Execution?

Where traditional eFX solutions typically only connect you to a single source of liquidity, ECNs can facilitate direct interaction for buy-side firms with multiple liquidity providers (LPs) and other market participants in a single session. Direct access can help reduce costs and provide transparency, as well as the ability to execute on your own terms, whether sweepable vs full amount, last look vs firm, or anonymous vs disclosed. As an alternative to crossing spread, takers can leverage our dynamic pegged / Collapse-to-Mid order types. Regular engagement with our dedicated liquidity management team can ensure bespoke liquidity pools are curated based on your trading style and needs while managing your market impact and fill ratios.

Euronext FX offers real-time access to crucial market data such as the best bid, best offer (BBO), spreads, executed trades, and midpoint prices across G10/EM spot, NDFs, and precious metals. Such data clarity helps give traders a deeper insight into available liquidity and better control over execution outcomes. With matching engines in New York, London, Tokyo, and Singapore, Euronext FX clients can directly engage with global liquidity pools, ensuring optimal execution, especially in local niche markets.

Lastly, by operating a pooled credit model, liquidity ranging from tier 1 banks to non-banks and local providers can be accessed in a making/taking capacity without the timely and burdensome process required to establish a direct relationship. With a prime broker (PB), traders can smoothly access more liquidity pools whilst reducing counterparty risk, thus providing a more seamless and efficient trading experience.

Pegged Orders: A Flexible Approach

Having the right tools at your disposal can make all the difference. For many, traditional algos have been the standard; however, Euronext FX offers an alternative with pegged orders and an additional Collapse to Mid (CTM) feature that could make your trading strategy more efficient and cost-effective.

With our best-in-class low latency technology we are a major source for price discovery in FX. This is reflected in our BBO and pegged orders that as a result dynamically adjust to market conditions in real time, enabling traders to capture price improvements and reduce the costs associated with crossing spreads.

Also, with pegged passive orders, clients can set customisable offsets (pips or percentage of spread), which allows them to fine-tune the aggressiveness based on market conditions like volatility and available depth. No additional integration is required as pegged and CTM features can be customised and hard-coded on our side, freeing clients from additional technical work to support this order type.

Collapse to Mid: Achieving Better Prices

Our Collapse to Mid (CTM) feature further enhances execution efficiency, ensuring traders achieve better pricing whilst minimising adverse market impact. When opposing interest is detected, such as a resting firm order, another peg, or a risk-reducing skew, CTM triggers a mid-execution.

This is particularly effective for buy-side traders who want to avoid chasing prices. Instead of placing aggressive orders that can leak information and move the market, traders can rely on CTM to capture spread passively or meet opposing interest at the midpoint, securing price improvements and reducing market impact. Clients that have switched over to CTM have seen an increase in liquidity with execution times on average 6 times faster than traditional pegged order types. As a result, we have seen a continuous growth of CTM volumes with over $110 billion traded between launch in August 2023 and July 2024.

Conclusion

For buy-side firms looking to optimise their FX execution, ECNs like Euronext FX provide a direct, transparent, and cost-effective alternative to traditional liquidity sources. By interacting with a custom-designed pool of liquidity providers, traders can gain better control over their execution, supplemented by features such as pegged orders and Collapse to Mid that enable further dynamic adjustments and cost savings. Improved access and variety of liquidity, alongside an efficient pooled credit model, make Euronext FX ECN an essential destination for buy-side participants in today's competitive FX market.