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## Best Prime-of-Prime Provider Best Retail FX Platform Saxo Bank

**Winner**  
**FX-Week**  
**e-FX**  
**Awards**  
**2017**

Five years ago, the idea of prime-of-prime (PoP) providers being an integral part of the market structure would have caused mirth. Credit was abundant and cheap, and almost no shop was too small for traditional bank foreign exchange prime brokers (FXPBs) to find a home.

Today, it is the other way around. PoPs are firmly part of the credit intermediation chain, with FXPBs viewing them as a sort of distribution hub for their services. But, perhaps due to the relatively sudden spurt of growth in the sector, there are many different interpretations of the term 'prime-of-prime', from providers and for clients.

Saxo Markets, the winner of Best Prime-of-Prime Provider at the 2017 *FX Week* e-FX Awards, is clear its PoP clients will gain a service that is as close to the standard PB model as possible. "Not all prime-of-primes are the same. Many do not have the same level of service, nor the same balance sheet, technology and access to liquidity as we do. That is how we differentiate ourselves from competitors," says Peter Plester, head of FXPB at Saxo Bank.

Saxo was one of the first providers to introduce pre-trade credit checks to its PoP business in 2014, to address the risk of over-allocation – a tool considered standard today. The bank also launched a cross-collateralisation tool in November 2016, enabling clients to synchro-

nise exposures, and balance across its three matching engines in London, New York and Tokyo.

"We went into this market knowing we are servicing the mid- to smaller end of the institutional market. Because of the size of these clients, to give them effective market access, we couldn't be reliant on the standard, traditional post-trade model," says Lucian Lauerman, global head of electronic distribution at Saxo Bank. "We needed to have a more technology-led approach. The FX spot market had also evolved to a point where it is largely electronic, meaning it is now possible to co-locate pre-trade controls in the market access points of each of the major liquidity centres."

What differentiates PB from PoP in terms of service is the lack of pre-trade transparency for clients. With most PoP offerings, clients gain a blended or aggregated price without knowing the identity of their liquidity providers or whether the PoP provider itself is participating in the flow.

Saxo says it does not provide prices to its PoP clients as a liquidity provider to avoid conflict of interest. It also prides itself on the breadth of access its clients enjoy with 24 bank and non-bank liquidity providers pricing into streams, and the pure direct-market access model they get when trading on the 10 different ECNs – including EBS and Thomson Reuters – in Saxo's name.

"It is important that as new liquidity sources become available, our client base has access to them. It is also important we take time to analyse the liquidity offered by these new entrants to ensure it really is additive to our offering," Lauerman says.

The bank's sizeable €600 million (\$685 million) balance sheet is an undeniable strength, but despite that, it takes a conservative approach to client leverage in both its prime business and



**Peter Plester: not all prime-of-primes are the same**

retail FX offering – a category Saxo Bank also won.

"We don't compete on offering crazy margin terms to clients. We are a regulated financial institution and we want to make sure clients are trading in a responsible way, and we want to help them do that. We prefer to compete in the market on service, liquidity, tools and analytics," Plester says.

The technology and sensible risk management that help Saxo build momentum in its prime products are also the ethos behind its retail FX platform.

"We have seen more customers coming to us from our peers, attracted by our stability and secure environment, as well as our capital ratios. We are well positioned as a strong and stable financial institution. We don't only service FX retail clients – we are multi-asset and service a subset of institutional clients as well," says Neil Browning, global head of FX sales at Saxo Bank.

In November 2016, Saxo implemented order-driven execution for FX spot, FX forwards and CFDs to give clients more control over execution and transparency on its TraderGo platform.

Browning says Saxo's niche is order execution. Clients get a highly competitive, fixed-price environment and what he calls unrivalled quality of execution. These factors have contributed to steady growth in volumes and a diversified client base, consisting of retail and active trader clients.

"It is providing clients with the opportunity to trade using orders, rather than quote-driven, which can be subject to last look. We feel that this is more transparent and allows clients to benefit from price improvements on every single trade. This method provides clients with more control in terms of execution quality, allowing them to express their own value preference between price and fill ratio," says Browning. **Laura Matthews**